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Senate Engrossed House Bill

State of Arizona  
House of Representatives  
Forty-sixth Legislature  
Second Regular Session  
2004

# HOUSE BILL 2549

AN ACT

AMENDING SECTION 9-801, ARIZONA REVISED STATUTES; AMENDING TITLE 9, CHAPTER 7, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 9-806; AMENDING SECTIONS 11-861, 37-621 AND 37-622, ARIZONA REVISED STATUTES; AMENDING TITLE 41, CHAPTER 10, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 41-1516; AMENDING TITLE 41, CHAPTER 16, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 41-2148; AMENDING SECTIONS 42-5061, 42-5071, 42-5075, 42-5159 AND 43-222, ARIZONA REVISED STATUTES; AMENDING TITLE 43, CHAPTER 10, ARTICLE 5, ARIZONA REVISED STATUTES, BY ADDING SECTION 43-1076; AMENDING TITLE 43, CHAPTER 11, ARTICLE 6, ARIZONA REVISED STATUTES, BY ADDING SECTION 43-1162; RELATING TO HEALTHY FOREST MANAGEMENT ZONES.

(TEXT OF BILL BEGINS ON NEXT PAGE)

Be it enacted by the Legislature of the State of Arizona:

Section 1. Section 9-801, Arizona Revised Statutes, is amended to read:

9-801. Definitions

In this article, unless the context otherwise requires:

1. "Code" means a published compilation of rules or regulations prepared by a technical trade association and includes any building code, electrical wiring code, health or sanitation code, fire prevention code, URBAN-WILDLAND INTERFACE CODE, inflammable liquids code, code for slaughtering, processing and selling meat and meat products or for production, pasteurizing and sale of milk and milk products, or other code which embraces rules and regulations pertinent to a subject which is a proper subject of municipal legislation.

2. "Municipality" means a city or town organized in accordance with law, including a home rule or charter city.

3. "Public record" includes a statute, rule or regulation of the United States, this state or the municipality which is desired to be adopted by reference.

4. "Published" means printed, lithographed, multigraphed, mimeographed or otherwise reproduced.

5. "State plumbing code" means the code adopted by the Arizona uniform plumbing code commission ESTABLISHED BY SECTION 41-619.

Sec. 2. Title 9, chapter 7, article 1, Arizona Revised Statutes, is amended by adding section 9-806, to read:

9-806. Urban-wildland interface code

A. A CITY OR TOWN MAY ADOPT A CURRENT URBAN-WILDLAND INTERFACE CODE. THE CODE MAY BE ADAPTED FROM A MODEL CODE ADOPTED BY A NATIONAL OR INTERNATIONAL ORGANIZATION OR ASSOCIATION FOR MITIGATING THE HAZARD TO LIFE AND PROPERTY.

B. A CITY OR TOWN MUST FOLLOW WRITTEN PUBLIC PROCEDURES IN THE DEVELOPMENT AND ADOPTION OF THE CODE AND ANY REVISIONS TO THE CODE TO PROVIDE EFFECTIVE, EARLY AND CONTINUOUS PUBLIC PARTICIPATION THROUGH:

1. THE BROAD DISSEMINATION AND PUBLICITY OF THE PROPOSED CODE AND ANY REVISIONS TO THE CODE.

2. THE OPPORTUNITY FOR SUBMISSION AND CONSIDERATION OF WRITTEN PUBLIC COMMENTS.

3. OPEN DISCUSSIONS, COMMUNICATIONS PROGRAMS AND INFORMATION SERVICES.

4. CONSULTATION WITH FEDERAL AGENCIES AND STATE AND LOCAL OFFICIALS.

Sec. 3. Section 11-861, Arizona Revised Statutes, is amended to read:

11-861. Adoption of codes by reference; limitations; method of adoption

A. In any county which has adopted zoning pursuant to this chapter, the board of supervisors may adopt and enforce, for the unincorporated areas of the county so zoned, a building code and other related codes to regulate the quality, type of material and workmanship of all aspects of construction

1 of buildings or structures, except that the board may authorize that areas  
2 zoned rural or unclassified may be exempt from the provisions of the code  
3 adopted. Such codes may be adopted by reference after notice and hearings  
4 before the county planning and zoning commission and board of supervisors as  
5 provided in this chapter for amendments to the zoning ordinance of the  
6 county.

7 B. The board of supervisors may adopt a fire prevention code in the  
8 unincorporated areas of the county in which a fire district has not adopted  
9 the uniform fire code pursuant to section 48-805. Any fire code adopted by a  
10 board of supervisors pursuant to this subsection shall remain in effect until  
11 a fire district is established and adopts a code applicable within the  
12 boundaries of the district.

13 C. For the purpose of this article, codes authorized by ~~the provisions~~  
14 ~~SUBSECTIONS A AND B~~ of this section shall be limited to the following:

15 1. Any building, electrical or mechanical code that has been  
16 promulgated by any national organization or association that is organized and  
17 conducted for the purpose of developing codes or that has been adopted by the  
18 largest city in that county. If the board of supervisors adopts a city code,  
19 it shall adopt, within ninety days after receiving a written notification of  
20 a change to the city code, the same change or shall terminate the adopted  
21 city code.

22 2. Any fire prevention code that has been adopted by a national  
23 organization or association organized or conducted for the purpose of  
24 developing fire prevention codes and that is as stringent as the state fire  
25 code adopted pursuant to section 41-2146.

26 D. THE BOARD OF SUPERVISORS MAY ADOPT A CURRENT URBAN-WILDLAND  
27 INTERFACE CODE. THE CODE MAY BE ADAPTED FROM A MODEL CODE ADOPTED BY A  
28 NATIONAL OR INTERNATIONAL ORGANIZATION OR ASSOCIATION FOR MITIGATING THE  
29 HAZARD TO LIFE AND PROPERTY. THE BOARD MUST FOLLOW WRITTEN PUBLIC PROCEDURES  
30 IN THE DEVELOPMENT AND ADOPTION OF THE CODE AND ANY REVISIONS TO THE CODE TO  
31 PROVIDE EFFECTIVE, EARLY AND CONTINUOUS PUBLIC PARTICIPATION THROUGH:

32 1. THE BROAD DISSEMINATION AND PUBLICITY OF THE PROPOSED CODE AND ANY  
33 REVISIONS TO THE CODE.

34 2. THE OPPORTUNITY FOR SUBMISSION AND CONSIDERATION OF WRITTEN PUBLIC  
35 COMMENTS.

36 3. OPEN DISCUSSIONS, COMMUNICATIONS PROGRAMS AND INFORMATION SERVICES.

37 4. CONSULTATION WITH FEDERAL AGENCIES AND STATE AND LOCAL OFFICIALS.

38 Sec. 4. Section 37-621, Arizona Revised Statutes, is amended to read:  
39 ~~37-621. State forester; qualifications~~

40 ~~A. The state land commissioner shall be the state forester.~~

41 ~~B. The state land commissioner shall appoint a deputy state forester~~  
42 ~~to act on his behalf in the discharge of the duties of the state forester as~~  
43 ~~contained in this chapter. The compensation of the deputy state forester~~  
44 ~~shall be as determined pursuant to section 38-611.~~

1           A. THE GOVERNOR SHALL APPOINT A STATE FORESTER PURSUANT TO SECTION  
2 38-211. THE STATE FORESTER SERVES AT THE PLEASURE OF THE GOVERNOR.

3           ~~C.~~ B. The qualifications of the ~~deputy~~ state forester shall be EITHER  
4 OF THE FOLLOWING:

5           1. Graduation from a full four-year college course with a bachelor's  
6 degree, with a major in forestry including five years of technical experience  
7 in the forestry-land management field. ~~;-or~~

8           2. Ten years of successful and progressive technical experience in  
9 forestry and land management activities of such a nature as to enable the  
10 applicant to perform his duties successfully at the professional level.

11           Sec. 5. Section 37-622, Arizona Revised Statutes, is amended to read:

12           37-622. Duties of state forester; acceptance of federal law

13           A. The state forester is designated as the agent of the state of  
14 Arizona and shall administer the provisions of this chapter. IN ADDITION,  
15 THE STATE FORESTER SHALL:

16           1. PERFORM ALL MANAGEMENT AND ADMINISTRATIVE FUNCTIONS ASSIGNED OR  
17 DELEGATED TO THIS STATE BY THE UNITED STATES RELATING TO FORESTRY AND  
18 FINANCIAL ASSISTANCE AND GRANTS RELATING TO FORESTRY.

19           2. IDENTIFY SOURCES OF INFORMATION RELATING TO FOREST MANAGEMENT,  
20 INCLUDING WILDFIRE SUPPRESSION AND RECOVERY AND ADMINISTRATIVE AND JUDICIAL  
21 APPEALS AND LITIGATION WITH RESPECT TO TIMBER SALES AND FOREST THINNING  
22 PROJECTS IN THIS STATE AND DEVELOP PROCEDURES FOR COMPILING AND TRANSFERRING  
23 THAT INFORMATION TO THE STATE FORESTER.

24           3. TAKE NECESSARY ACTION TO MAXIMIZE STATE FIRE ASSISTANCE GRANTS,  
25 INCLUDING ESTABLISHING TIMELINES FOR USING GRANT MONIES AND REALLOCATING  
26 LAPSED GRANT MONIES TO OTHER PROJECTS.

27           4. CONDUCT EDUCATION AND OUTREACH IN FOREST COMMUNITIES EXPLAINING THE  
28 WILDFIRE THREAT TO PRIVATE PROPERTY CAUSED BY LACK OF TIMBER HARVESTING AND  
29 THINNING.

30           5. MONITOR FORESTRY PROJECTS AND WILDFIRE ACTIVITIES.

31           6. INTERVENE ON BEHALF OF THIS STATE AND ITS CITIZENS IN  
32 ADMINISTRATIVE AND JUDICIAL APPEALS AND LITIGATION THAT CHALLENGE  
33 GOVERNMENTAL EFFORTS SUPPORTED BY THE STATE FORESTER IF THE STATE FORESTER  
34 DETERMINES THAT INTERVENTION IS IN THE BEST INTERESTS OF THIS STATE.

35           B. During the first regular session of each legislature, the state  
36 forester shall present information to the legislative committees with  
37 jurisdiction over forestry issues. The state forester shall collaborate  
38 with, and invite the participation of, relevant state, federal and local  
39 governmental officers and agencies. A written report is not required, but  
40 the presentation shall include information concerning:

41           1. Forestry management, including the current conditions of the  
42 forests in this state on federal, state and private property as affected by  
43 federal, state and local public policies, climatic conditions, wildfire  
44 hazards, pest infestations, overgrowth and overgrowth control policies and

1 methods and the effects of current federal policy on forest management and  
2 impacts on forest land management.

3 2. The wildland-urban interface, including the effects of county and  
4 municipal zoning policies and wildfire hazards on public and private  
5 property.

6 3. Wildfire emergency management issues, including:

7 (a) Intergovernmental and interagency primacy, cooperation,  
8 coordination, roles and training of federal, state and local forestry,  
9 firefighting and law enforcement agencies.

10 (b) Channels and methods of communicating emergency information to the  
11 public.

12 (c) The roles of governmental and nongovernmental disaster relief  
13 agencies and organizations.

14 (d) The level of federal, state and local emergency funding.

15 C. The state forester may:

16 1. Furnish technical advice to the people of the state on forestry  
17 matters.

18 2. Do all other acts necessary to take advantage of and carry out the  
19 provisions of the act of Congress described in subsection D.

20 D. This state accepts the provisions of the cooperative forestry  
21 assistance act of 1978 (P.L. 95-313; 92 Stat. 365; 16 United States Code  
22 chapter 41) providing for federal forestry assistance programs to states.

23 Sec. 6. Title 41, chapter 10, article 1, Arizona Revised Statutes, is  
24 amended by adding section 41-1516, to read:

25 41-1516. Healthy forest enterprise incentives; definitions

26 A. THE DEPARTMENT OF COMMERCE SHALL IDENTIFY AND CERTIFY TO THE  
27 DEPARTMENT OF REVENUE THE NAMES AND RELEVANT INFORMATION RELATING TO  
28 QUALIFIED BUSINESSES FOR THE PURPOSES OF AVAILABLE TAX INCENTIVES FOR  
29 ECONOMIC ENTERPRISES THAT PROMOTE FOREST HEALTH IN THIS STATE.

30 B. TO QUALIFY FOR TAX INCENTIVES PURSUANT TO THIS SECTION, A BUSINESS:  
31 1. MUST BE PRIMARILY ENGAGED IN HARVESTING, TRANSPORTING OR THE  
32 INITIAL PROCESSING OF FOREST PRODUCTS, INCLUDING BIOMASS, INTO A PRODUCT  
33 HAVING COMMERCIAL VALUE AS FOLLOWS:

34 (a) AT LEAST ONE-HALF OF THE FOREST PRODUCT, BY VOLUME, MUST BE FROM  
35 BIOMASS SOURCES, AND AT LEAST ONE-HALF OF THE BIOMASS MUST BE HARVESTED FROM  
36 SOURCES IN THIS STATE.

37 (b) FOR THE PURPOSES OF SECTION 42-5061, SUBSECTION B, PARAGRAPH 22,  
38 SECTION 42-5071, SUBSECTION B, PARAGRAPH 2, SUBDIVISION (b) AND SECTION  
39 42-5159, SUBSECTION B, PARAGRAPH 22, THE QUALIFYING EQUIPMENT MUST BE FOR THE  
40 PURPOSES OF HARVESTING, TRANSPORTING OR THE INITIAL PROCESSING OF BIOMASS.

41 (c) THE BUSINESS MUST EMPLOY AT LEAST TEN PERMANENT FULL-TIME  
42 EMPLOYEES.

43 (d) THE BUSINESS OPERATION MUST ENHANCE OR SUSTAIN FOREST HEALTH,  
44 SUSTAIN OR RECOVER WATERSHED OR IMPROVE PUBLIC SAFETY.

1           2. MUST AGREE WITH THE DEPARTMENT OF COMMERCE TO FURNISH INFORMATION  
2 RELATING TO THE AMOUNT OF TAX BENEFITS THAT THE BUSINESS RECEIVES EACH  
3 YEAR. THE DEPARTMENT OF COMMERCE SHALL IMMEDIATELY REVOKE THE BUSINESS'S  
4 CERTIFICATION AND NOTIFY THE DEPARTMENT OF REVENUE IF:

5           (a) THE BUSINESS FAILS TO PROVIDE THE REQUIRED INFORMATION WITHIN  
6 THIRTY DAYS AFTER A FORMAL REQUEST FROM THE DEPARTMENT.

7           (b) THE BUSINESS NO LONGER MEETS THE TERMS AND CONDITIONS REQUIRED FOR  
8 QUALIFICATION FOR THE APPLICABLE TAX INCENTIVES.

9           3. MUST AGREE TO DISCLOSURE IN COMPOSITE FORM, WITHOUT SPECIFIC  
10 IDENTIFICATION OF THE TAXPAYER, OF THE AMOUNT OF TAX BENEFITS RECEIVED EACH  
11 YEAR.

12           4. MUST ENTER INTO A MEMORANDUM OF UNDERSTANDING WITH THE DEPARTMENT  
13 OF COMMERCE CONTAINING:

14           (a) EMPLOYMENT GOALS. EACH YEAR THE BUSINESS MUST REPORT IN WRITING  
15 TO THE DEPARTMENT OF COMMERCE ITS PERFORMANCE IN ACHIEVING THE GOALS.

16           (b) A COMMITMENT TO CONTINUE IN BUSINESS AND USE THE QUALIFYING  
17 EQUIPMENT FOR THE PURPOSES OF PROMOTING FOREST HEALTH IN THIS STATE AS  
18 CONTEMPLATED IN PROVIDING THE TAX INCENTIVES PURSUANT TO THIS SECTION, OTHER  
19 THAN FOR REASONS BEYOND THE CONTROL OF THE BUSINESS. THE DEPARTMENT OF  
20 COMMERCE SHALL CONSULT WITH THE DEPARTMENT OF REVENUE IN DESIGNING THE  
21 MEMORANDUM OF UNDERSTANDING TO INCORPORATE THE LEGAL QUALIFICATIONS FOR THE  
22 TAX BENEFITS AND SHALL INCLUDE THE REQUIREMENT THAT ANY QUALIFYING EQUIPMENT  
23 THAT IS PURCHASED OR LEASED FREE OF TRANSACTION PRIVILEGE OR USE TAX MUST  
24 CONTINUE TO BE USED FOR THE TERM OF THE MEMORANDUM OF UNDERSTANDING OR THE  
25 DURATION OF ITS OPERATIONAL LIFE, WHICHEVER IS SHORTER.

26           (c) THE AUTHORIZATION FOR THE DEPARTMENT OF COMMERCE TO TERMINATE,  
27 ADJUST OR RECAPTURE ALL OR PART OF THE TAX BENEFITS PROVIDED TO THE BUSINESS  
28 ON NONCOMPLIANCE WITH THE LAW OR THE TERMS OF THE MEMORANDUM. THE DEPARTMENT  
29 OF COMMERCE SHALL NOTIFY THE DEPARTMENT OF REVENUE OF THE CONDITIONS OF  
30 NONCOMPLIANCE. THE DEPARTMENT OF REVENUE MAY ALSO TERMINATE THE  
31 CERTIFICATION IF IT OBTAINS INFORMATION INDICATING A FAILURE TO QUALIFY AND  
32 COMPLY. THE DEPARTMENT OF REVENUE MAY REQUIRE THE BUSINESS TO FILE  
33 APPROPRIATE AMENDED TAX RETURNS REFLECTING THE RECAPTURE OF THE TAX BENEFITS.

34           5. MUST SUBMIT A COPY OF THE CERTIFICATION TO THE DEPARTMENT OF  
35 REVENUE FOR APPROVAL BEFORE USING THE CERTIFICATION FOR PURPOSES OF ANY TAX  
36 INCENTIVE. THE DEPARTMENT OF REVENUE SHALL REVIEW AND APPROVE OR DENY THE  
37 CERTIFICATION IN A TIMELY MANNER. A FAILURE TO APPROVE OR DENY THE  
38 CERTIFICATION WITHIN SIXTY DAYS AFTER THE DATE THE BUSINESS SUBMITS IT TO THE  
39 DEPARTMENT CONSTITUTES APPROVAL OF THE CERTIFICATION.

40           C. FOR THE PURPOSES OF SECTION 42-5075, SUBSECTION B, PARAGRAPH 19,  
41 THE DEPARTMENT OF COMMERCE SHALL CERTIFY PRIME CONTRACTORS THAT CONTRACT FOR  
42 THE CONSTRUCTION OF ANY BUILDING, OR OTHER STRUCTURE, PROJECT, DEVELOPMENT OR  
43 IMPROVEMENT OWNED BY A QUALIFIED BUSINESS FOR HARVESTING, TRANSPORTING OR THE  
44 INITIAL PROCESSING OF FOREST PRODUCTS, INCLUDING BIOMASS, AS PROVIDED BY THIS  
45 SECTION.

1 D. TO OBTAIN AND MAINTAIN CERTIFICATION UNDER THIS SECTION, A BUSINESS  
2 MUST:

3 1. APPLY TO THE DEPARTMENT OF COMMERCE.  
4 2. SUBMIT AND RETAIN COPIES OF ALL REQUIRED INFORMATION, INCLUDING  
5 INFORMATION RELATING TO THE ACTUAL OR PROJECTED NUMBER OF EMPLOYEES IN THIS  
6 STATE.

7 3. ALLOW INSPECTIONS AND AUDITS TO VERIFY THE QUALIFICATION AND  
8 ACCURACY OF INFORMATION SUBMITTED TO THE DEPARTMENT OF COMMERCE.

9 E. WITHIN SIXTY DAYS AFTER RECEIVING A COMPLETE AND CORRECT  
10 APPLICATION AND ALL REQUIRED INFORMATION AS PRESCRIBED BY THIS SECTION, THE  
11 DEPARTMENT OF COMMERCE SHALL GRANT OR DENY CERTIFICATION AND GIVE WRITTEN  
12 NOTICE BY CERTIFIED MAIL TO THE APPLICANT. THE APPLICANT IS CERTIFIED AS A  
13 QUALIFIED BUSINESS ON THE DATE THE NOTICE OF CERTIFICATION IS DELIVERED TO  
14 THE APPLICANT. A FAILURE TO RESPOND WITHIN SIXTY DAYS AFTER RECEIVING A  
15 COMPLETE AND CORRECT APPLICATION CONSTITUTES APPROVAL OF THE APPLICATION.

16 F. THE CERTIFICATION SHALL STATE AN EFFECTIVE DATE WITH RESPECT TO  
17 EACH AUTHORIZED TAX INCENTIVE WHICH, IN EACH CASE, MUST BE AT THE START OF A  
18 TAXABLE YEAR OR TAXABLE PERIOD.

19 G. FOR THE PURPOSES OF THIS SECTION:

20 1. "BIOMASS" MEANS DEAD STANDING AND FALLEN TIMBER, AND FOREST  
21 THINNINGS ASSOCIATED WITH THE HARVEST OF SMALL DIAMETER TIMBER, SLASH, BRUSH  
22 AND OTHER WOODY VEGETATION, REMOVED FROM FEDERAL, STATE AND OTHER PUBLIC  
23 FOREST LAND AND FROM PRIVATE FOREST LAND.

24 2. "FOREST HEALTH" MEANS THE DEGREE TO WHICH THE INTEGRITY OF THE  
25 FOREST IS SUSTAINED, INCLUDING REDUCING THE RISK OF CATASTROPHIC WILDFIRE AND  
26 DESTRUCTIVE INSECT INFESTATION, BENEFITING WILDLAND HABITATS, WATERSHEDS AND  
27 COMMUNITIES.

28 3. "INITIAL PROCESSING" MEANS THE FIRST CHANGE, AFTER HARVEST, IN THE  
29 PHYSICAL STRUCTURE OF BIOMASS INTO A MARKETABLE PRODUCT OR COMPONENT OF A  
30 PRODUCT THAT HAS COMMERCIAL VALUE TO A CONSUMER OR PURCHASER AND THAT IS  
31 READY TO BE USED WITH OR WITHOUT FURTHER ALTERING ITS FORM. INITIAL  
32 PROCESSING DOES NOT INCLUDE CONSUMPTIVE USE OR BURNING.

33 4. "QUALIFYING EQUIPMENT" INCLUDES:

34 (a) FOREST THINNING AND RESIDUE REMOVAL EQUIPMENT, INCLUDING MULCHING  
35 AND MASTICATING EQUIPMENT, FELLER-BUNCHERS, SKIDDERS, LOG LOADERS, PORTABLE  
36 CHIPPERS AND GRINDERS, SLASH BUNDLERS, LOG TRUCKS, CHIP TRUCKS AND DELIMBERS.

37 (b) FOREST RESIDUE RECEIVING AND HANDLING EQUIPMENT, INCLUDING TRUCK  
38 DUMPERS, LOG UNLOADERS, SCALES, LOG DECKING FACILITIES AND EQUIPMENT AND CHIP  
39 PILE FACILITIES.

40 (c) SORTING AND PROCESSING EQUIPMENT, INCLUDING PORTABLE AND  
41 STATIONARY LOG LOADERS, FRONT END LOADERS, FORK LIFTS AND CRANES, CHIPPERS  
42 AND GRINDERS, SCREENS, DECKS AND DEBARKERS, SAWS AND SAWMILL EQUIPMENT,  
43 FIREWOOD PROCESSING, WOOD RESIDUE BALING AND BAGGING EQUIPMENT, KILNS,  
44 PLANING AND MOLDING EQUIPMENT AND LAMINATING AND JOINING EQUIPMENT.

(d) FOREST WASTE AND RESIDUE DISPOSAL AND PROCESSING EQUIPMENT, INCLUDING:

(i) PROCESSING AND SIZING EQUIPMENT, HOGS, CHIPPERS, SCREENS, PELLETIZERS AND WOOD SPLITTERS.

(ii) TRANSPORTING AND HANDLING EQUIPMENT, INCLUDING LOADERS, CONVEYORS, BLOWERS, RECEIVING HOPPERS, TRUCK DUMPERS AND DOZERS.

(iii) WASTE USE EQUIPMENT, INCLUDING FUEL FEED, STORAGE BINS, BOILERS AND COMBUSTORS.

(iv) WASTE PROJECT USE EQUIPMENT, INCLUDING GENERATORS, SWITCHGEAR AND SUBSTATIONS AND ON-SITE DISTRIBUTION SYSTEMS.

(v) GENERATED WASTE DISPOSAL EQUIPMENT, INCLUDING ASH SILOS, ASH TRUCKS AND WASTEWATER TREATMENT AND DISPOSAL EQUIPMENT.

(vi) SHOP AND MAINTENANCE EQUIPMENT AND MAJOR SPARES HAVING A VALUE OF MORE THAN FIVE THOUSAND DOLLARS EACH.

Sec. 7. Title 41, chapter 16, article 1, Arizona Revised Statutes, is amended by adding section 41-2148, to read:

41-2148. State urban-wildland fire safety committee; definition

A. THE STATE URBAN-WILDLAND FIRE SAFETY COMMITTEE IS ESTABLISHED CONSISTING OF TWELVE MEMBERS APPOINTED FOR THREE YEAR TERMS AS FOLLOWS:

1. FOUR MEMBERS WHO ARE APPOINTED BY THE GOVERNOR AS FOLLOWS:

(a) A FIRE CHIEF OR FIRE MARSHAL OF A PAID MUNICIPAL FIRE DEPARTMENT OF A CITY WITH A POPULATION OF FIFTY THOUSAND PERSONS OR MORE.

(b) THE STATE FORESTER OR THE STATE FORESTER'S DESIGNEE.

(c) A MEMBER OF THE ARIZONA FIRE CHIEFS' ASSOCIATION.

(d) A CITY OR TOWN PLANNING AND ZONING OFFICIAL FROM A MUNICIPALITY WITH A HIGH RISK URBAN-WILDLAND INTERFACE AREA WITH A POPULATION OF FIFTY THOUSAND PERSONS OR MORE.

2. FOUR MEMBERS WHO ARE APPOINTED BY THE PRESIDENT OF THE SENATE AS FOLLOWS:

(a) A RESIDENT OF, AND PROPERTY OWNER IN, A CITY, TOWN OR COUNTY WITH A HIGH RISK URBAN-WILDLAND INTERFACE AREA.

(b) A PERSON WHO OWNS PROPERTY AND SERVES AS A FIREFIGHTER FOR A FIRE DISTRICT IN AN AREA AT HIGH RISK FROM WILDLAND FIRE.

(c) A WATERSHED MANAGEMENT EXPERT.

(d) A MEMBER IN A LIAISON CAPACITY WITH THIS STATE'S CONGRESSIONAL DELEGATION. THIS MEMBER MAY BE APPOINTED FROM NOMINEES SOLICITED BY THE PRESIDENT OF THE SENATE FROM ONE OR MORE MEMBERS OF CONGRESS.

3. FOUR MEMBERS WHO ARE APPOINTED BY THE SPEAKER OF THE HOUSE OF REPRESENTATIVES AS FOLLOWS:

(a) A WILDLAND FIRE SCIENCE EXPERT FROM REGION 3 OF THE UNITED STATES FOREST SERVICE WHO RESIDES IN THIS STATE.

(b) A PERSON WHO HOLDS A PROFESSIONAL POSITION IN FOREST ECOLOGY AND WHO IS KNOWLEDGEABLE ABOUT THE EFFECTS OF FOREST THINNING ON THE BIOLOGICAL DIVERSITY OF FORESTS.



1 (c) A PROPERTY OWNER FROM A COUNTY WITH A POPULATION OF LESS THAN FIVE  
2 HUNDRED THOUSAND PERSONS WHO HAS KNOWLEDGE AND EXPERTISE IN PROPERTY  
3 DEVELOPMENT IN WILDLAND AREAS.

4 (d) A REGISTERED ARCHITECT WITH EXPERTISE IN DESIGNING RESIDENTIAL  
5 DWELLINGS.

6 B. THE COMMITTEE SHALL ANNUALLY SELECT A CHAIRPERSON FROM ITS  
7 MEMBERSHIP. THE COMMITTEE SHALL MEET AT THE CALL OF THE CHAIRPERSON OR ON  
8 THE REQUEST OF AT LEAST FOUR MEMBERS OF THE COMMITTEE. MEMBERS OF THE  
9 COMMITTEE ARE NOT ELIGIBLE TO RECEIVE COMPENSATION FOR THEIR SERVICE ON THE  
10 COMMITTEE BUT ARE ELIGIBLE FOR REIMBURSEMENT OF EXPENSES PURSUANT TO TITLE  
11 38, CHAPTER 4, ARTICLE 2.

12 C. THE COMMITTEE SHALL DEVELOP RECOMMENDATIONS FOR MINIMUM STANDARDS  
13 FOR:

14 1. SAFEGUARDING LIFE AND PROPERTY FROM WILDLAND FIRE AND FIRE HAZARDS.

15 2. PREVENTING WILDLAND FIRES AND ALLEVIATION OF FIRE HAZARDS.

16 3. STORAGE, SALE, DISTRIBUTION AND USE OF DANGEROUS CHEMICALS,  
17 COMBUSTIBLES, FLAMMABLE LIQUIDS, EXPLOSIVES AND RADIOACTIVE MATERIALS IN  
18 URBAN-WILDLAND INTERFACE AREAS.

19 4. FIRE EVACUATION ROUTES AND COMMUNITY ALERT SYSTEMS.

20 5. THE CREATION OF DEFENSIBLE SPACES IN AND AROUND URBAN-WILDLAND  
21 INTERFACE AREAS AS AUTHORIZED BY EXISTING COUNTY AND MUNICIPAL LAWS AND  
22 ORDINANCES.

23 6. THE APPLICATION OF ADAPTIVE MANAGEMENT PRACTICES TO USE IN  
24 MONITORING DATA FROM TREATMENT PROGRAMS TO ASSESS THE EFFECTIVENESS OF THOSE  
25 PROGRAMS IN MEETING FOREST HEALTH OBJECTIVES.

26 7. OTHER MATTERS RELATING TO URBAN-WILDLAND FIRE PREVENTION AND  
27 CONTROL THAT THE COMMITTEE CONSIDERS TO BE NECESSARY.

28 D. THE COMMITTEE SHALL ISSUE AN ANNUAL REPORT WITH RECOMMENDATIONS TO  
29 THE GOVERNOR AND THE LEGISLATURE BY DECEMBER 31 OF EACH YEAR. THE COMMITTEE  
30 SHALL PROVIDE A COPY OF THE REPORT TO THE SECRETARY OF STATE AND THE DIRECTOR  
31 OF THE ARIZONA STATE LIBRARY, ARCHIVES AND PUBLIC RECORDS.

32 E. FOR THE PURPOSES OF THIS SECTION, "URBAN-WILDLAND INTERFACE" MEANS  
33 A GEOGRAPHICAL AREA WHERE RESIDENTIAL OR COMMERCIAL STRUCTURES MEET OR  
34 INTERMINGLE WITH FEDERAL, STATE, TRIBAL OR OTHER PUBLIC LAND THAT IS  
35 UNDEVELOPED, OTHER THAN TRANSPORTATION OR UTILITY INFRASTRUCTURE.

36 Sec. 8. Section 42-5061, Arizona Revised Statutes, is amended to read:

37 42-5061. Retail classification; definitions

38 A. The retail classification is comprised of the business of selling  
39 tangible personal property at retail. The tax base for the retail  
40 classification is the gross proceeds of sales or gross income derived from  
41 the business. The tax imposed on the retail classification does not apply to  
42 the gross proceeds of sales or gross income from:

43 1. Professional or personal service occupations or businesses which  
44 involve sales or transfers of tangible personal property only as  
45 inconsequential elements.

1           2. Services rendered in addition to selling tangible personal property  
2 at retail.

3           3. Sales of warranty or service contracts. The storage, use or  
4 consumption of tangible personal property provided under the conditions of  
5 such contracts is subject to tax under section 42-5156.

6           4. Sales of tangible personal property by any nonprofit organization  
7 organized and operated exclusively for charitable purposes and recognized by  
8 the United States internal revenue service under section 501(c)(3) of the  
9 internal revenue code.

10          5. Sales to persons engaged in business classified under the  
11 restaurant classification of articles used by human beings for food, drink or  
12 condiment, whether simple, mixed or compounded.

13          6. Business activity which is properly included in any other business  
14 classification which is taxable under article 1 of this chapter.

15          7. The sale of stocks and bonds.

16          8. Drugs and medical oxygen, including delivery hose, mask or tent,  
17 regulator and tank, on the prescription of a member of the medical, dental or  
18 veterinarian profession who is licensed by law to administer such substances.

19          9. Prosthetic appliances as defined in section 23-501 prescribed or  
20 recommended by a health professional licensed pursuant to title 32, chapter  
21 7, 8, 11, 13, 14, 15, 16, 17 or 29.

22          10. Insulin, insulin syringes and glucose test strips.

23          11. Prescription eyeglasses or contact lenses.

24          12. Hearing aids as defined in section 36-1901.

25          13. Durable medical equipment which has a centers for medicare and  
26 medicaid services common procedure code, is designated reimbursable by  
27 medicare, is prescribed by a person who is licensed under title 32, chapter  
28 7, 8, 13, 14, 15, 17 or 29, can withstand repeated use, is primarily and  
29 customarily used to serve a medical purpose, is generally not useful to a  
30 person in the absence of illness or injury and is appropriate for use in the  
31 home.

32          14. Sales to nonresidents of this state for use outside this state if  
33 the vendor ships or delivers the tangible personal property out of this  
34 state.

35          15. Food, as provided in and subject to the conditions of article 3 of  
36 this chapter and section 42-5074.

37          16. Items purchased with United States department of agriculture food  
38 stamp coupons issued under the food stamp act of 1977 (P.L. 95-113; 91 Stat.  
39 958) or food instruments issued under section 17 of the child nutrition act  
40 (P.L. 95-627; 92 Stat. 3603; P.L. 99-661, section 4302; 42 United States Code  
41 section 1786).

42          17. Textbooks by any bookstore that are required by any state  
43 university or community college.

44          18. Food and drink to a person who is engaged in business which is  
45 classified under the restaurant classification and which provides such food

1 and drink without monetary charge to its employees for their own consumption  
2 on the premises during the employees' hours of employment.

3 19. Articles of food, drink or condiment and accessory tangible  
4 personal property to a school district if such articles and accessory  
5 tangible personal property are to be prepared and served to persons for  
6 consumption on the premises of a public school within the district during  
7 school hours.

8 20. Lottery tickets or shares pursuant to title 5, chapter 5,  
9 article 1.

10 21. The sale of precious metal bullion and monetized bullion to the  
11 ultimate consumer, but the sale of coins or other forms of money for  
12 manufacture into jewelry or works of art is subject to the tax. In this  
13 paragraph:

14 (a) "Monetized bullion" means coins and other forms of money which are  
15 manufactured from gold, silver or other metals and which have been or are  
16 used as a medium of exchange in this or another state, the United States or a  
17 foreign nation.

18 (b) "Precious metal bullion" means precious metal, including gold,  
19 silver, platinum, rhodium and palladium, which has been smelted or refined so  
20 that its value depends on its contents and not on its form.

21 22. Motor vehicle fuel and use fuel which are subject to a tax imposed  
22 under title 28, chapter 16, article 1, sales of use fuel to a holder of a  
23 valid single trip use fuel tax permit issued under section 28-5739, sales of  
24 aviation fuel which are subject to the tax imposed under section 28-8344 and  
25 sales of jet fuel which are subject to the tax imposed under article 8 of  
26 this chapter.

27 23. Tangible personal property sold to a person engaged in the business  
28 of leasing or renting such property under the personal property rental  
29 classification if such property is to be leased or rented by such person.

30 24. Tangible personal property sold in interstate or foreign commerce  
31 if prohibited from being so taxed by the Constitution of the United States or  
32 the constitution of this state.

33 25. Tangible personal property sold to:

34 (a) A qualifying hospital as defined in section 42-5001.

35 (b) A qualifying health care organization as defined in section  
36 42-5001 if the tangible personal property is used by the organization solely  
37 to provide health and medical related educational and charitable services.

38 (c) A qualifying health care organization as defined in section  
39 42-5001 if the organization is dedicated to providing educational,  
40 therapeutic, rehabilitative and family medical education training for blind,  
41 visually impaired and multihandicapped children from the time of birth to age  
42 twenty-one.

43 (d) A qualifying community health center as defined in section  
44 42-5001.

1 (e) A nonprofit charitable organization that has qualified under  
2 section 501(c)(3) of the internal revenue code and that regularly serves  
3 meals to the needy and indigent on a continuing basis at no cost.

4 (f) For taxable periods beginning from and after June 30, 2001, a  
5 nonprofit charitable organization that has qualified under section 501(c)(3)  
6 of the internal revenue code and that provides residential apartment housing  
7 for low income persons over sixty-two years of age in a facility that  
8 qualifies for a federal housing subsidy, if the tangible personal property is  
9 used by the organization solely to provide residential apartment housing for  
10 low income persons over sixty-two years of age in a facility that qualifies  
11 for a federal housing subsidy.

12 26. Magazines or other periodicals or other publications by this state  
13 to encourage tourist travel.

14 27. Tangible personal property sold to a person that is subject to tax  
15 under this article by reason of being engaged in business classified under  
16 the prime contracting classification under section 42-5075, or to a  
17 subcontractor working under the control of a prime contractor that is subject  
18 to tax under article 1 of this chapter, if the property so sold is any of the  
19 following:

20 (a) Incorporated or fabricated by the person into any real property,  
21 structure, project, development or improvement as part of the business.

22 (b) Used in environmental response or remediation activities under  
23 section 42-5075, subsection B, paragraph 6.

24 (c) Incorporated or fabricated by the person into any lake facility  
25 development in a commercial enhancement reuse district under conditions  
26 prescribed for the deduction allowed by section 42-5075, subsection B,  
27 paragraph 8.

28 28. The sale of a motor vehicle to:

29 (a) A nonresident of this state if the purchaser's state of residence  
30 does not allow a corresponding use tax exemption to the tax imposed by  
31 article 1 of this chapter and if the nonresident has secured a special  
32 thirty-day nonresident registration of the vehicle by applying according to  
33 section 28-2154.

34 (b) An enrolled member of an Indian tribe who resides on the Indian  
35 reservation established for that tribe.

36 29. Tangible personal property purchased in this state by a nonprofit  
37 charitable organization that has qualified under section 501(c)(3) of the  
38 United States internal revenue code and that engages in and uses such  
39 property exclusively for training, job placement or rehabilitation programs  
40 or testing for mentally or physically handicapped persons.

41 30. Sales of tangible personal property by a nonprofit organization  
42 that is exempt from taxation under section 501(c)(3), 501(c)(4) or 501(c)(6)  
43 of the internal revenue code if the organization is associated with a major  
44 league baseball team or a national touring professional golfing association

1 and no part of the organization's net earnings inures to the benefit of any  
2 private shareholder or individual.

3 31. Sales of commodities, as defined by title 7 United States Code  
4 section 2, that are consigned for resale in a warehouse in this state in or  
5 from which the commodity is deliverable on a contract for future delivery  
6 subject to the rules of a commodity market regulated by the United States  
7 commodity futures trading commission.

8 32. Sales of tangible personal property by a nonprofit organization  
9 that is exempt from taxation under section 501(c)(3), 501(c)(4), 501(c)(6),  
10 501(c)(7) or 501(c)(8) of the internal revenue code if the organization  
11 sponsors or operates a rodeo featuring primarily farm and ranch animals and  
12 no part of the organization's net earnings inures to the benefit of any  
13 private shareholder or individual.

14 33. Sales of seeds, seedlings, roots, bulbs, cuttings and other  
15 propagative material to persons who use those items to commercially produce  
16 agricultural, horticultural, viticultural or floricultural crops in this  
17 state.

18 34. Machinery, equipment, technology or related supplies that are only  
19 useful to assist a person who is physically disabled as defined in section  
20 46-191, has a developmental disability as defined in section 36-551 or has a  
21 head injury as defined in section 41-3201 to be more independent and  
22 functional.

23 35. Sales of tangible personal property that is shipped or delivered  
24 directly to a destination outside the United States for use in that foreign  
25 country.

26 36. Sales of natural gas or liquefied petroleum gas used to propel a  
27 motor vehicle.

28 37. Paper machine clothing, such as forming fabrics and dryer felts,  
29 sold to a paper manufacturer and directly used or consumed in paper  
30 manufacturing.

31 38. Coal, petroleum, coke, natural gas, virgin fuel oil and electricity  
32 sold to a qualified environmental technology manufacturer, producer or  
33 processor as defined in section 41-1514.02 and directly used or consumed in  
34 the generation or provision of on-site power or energy solely for  
35 environmental technology manufacturing, producing or processing or  
36 environmental protection. This paragraph shall apply for fifteen full  
37 consecutive calendar or fiscal years from the date the first paper  
38 manufacturing machine is placed in service. In the case of an environmental  
39 technology manufacturer, producer or processor who does not manufacture  
40 paper, the time period shall begin with the date the first manufacturing,  
41 processing or production equipment is placed in service.

42 39. Sales of liquid, solid or gaseous chemicals used in manufacturing,  
43 processing, fabricating, mining, refining, metallurgical operations, research  
44 and development and, beginning on January 1, 1999, printing, if using or  
45 consuming the chemicals, alone or as part of an integrated system of

1 chemicals, involves direct contact with the materials from which the product  
2 is produced for the purpose of causing or permitting a chemical or physical  
3 change to occur in the materials as part of the production process. This  
4 paragraph does not include chemicals that are used or consumed in activities  
5 such as packaging, storage or transportation but does not affect any  
6 deduction for such chemicals that is otherwise provided by this section. For  
7 purposes of this paragraph, "printing" means a commercial printing operation  
8 and includes job printing, engraving, embossing, copying and bookbinding.

9 40. Through December 31, 1994, personal property liquidation  
10 transactions, conducted by a personal property liquidator. From and after  
11 December 31, 1994, personal property liquidation transactions shall be  
12 taxable under this section provided that nothing in this subsection shall be  
13 construed to authorize the taxation of casual activities or transactions  
14 under this chapter. In this paragraph:

15 (a) "Personal property liquidation transaction" means a sale of  
16 personal property made by a personal property liquidator acting solely on  
17 behalf of the owner of the personal property sold at the dwelling of the  
18 owner or upon the death of any owner, on behalf of the surviving spouse, if  
19 any, any devisee or heir or the personal representative of the estate of the  
20 deceased, if one has been appointed.

21 (b) "Personal property liquidator" means a person who is retained to  
22 conduct a sale in a personal property liquidation transaction.

23 41. Sales of food, drink and condiment for consumption within the  
24 premises of any prison, jail or other institution under the jurisdiction of  
25 the state department of corrections, the department of public safety, the  
26 department of juvenile corrections or a county sheriff.

27 42. A motor vehicle and any repair and replacement parts and tangible  
28 personal property becoming a part of such motor vehicle sold to a motor  
29 carrier who is subject to a fee prescribed in title 28, chapter 16, article 4  
30 and who is engaged in the business of leasing or renting such property.

31 43. Livestock and poultry feed, salts, vitamins and other additives for  
32 livestock or poultry consumption that are sold to persons who are engaged in  
33 producing livestock, poultry, or livestock or poultry products or who are  
34 engaged in feeding livestock or poultry commercially. For purposes of this  
35 paragraph, "poultry" includes ratites.

36 44. Sales of implants used as growth promotants and injectable  
37 medicines, not already exempt under paragraph 8 of this subsection, for  
38 livestock or poultry owned by or in possession of persons who are engaged in  
39 producing livestock, poultry, or livestock or poultry products or who are  
40 engaged in feeding livestock or poultry commercially. For purposes of this  
41 paragraph, "poultry" includes ratites.

1        45. Sales of motor vehicles at auction to nonresidents of this state  
2 for use outside this state if the vehicles are shipped or delivered out of  
3 this state, regardless of where title to the motor vehicles passes or its  
4 free on board point.

5        46. Tangible personal property sold to a person engaged in business and  
6 subject to tax under the transient lodging classification if the tangible  
7 personal property is a personal hygiene item or articles used by human beings  
8 for food, drink or condiment, except alcoholic beverages, which are furnished  
9 without additional charge to and intended to be consumed by the transient  
10 during the transient's occupancy.

11       47. Sales of alternative fuel, as defined in section 1-215, to a used  
12 oil fuel burner who has received a permit to burn used oil or used oil fuel  
13 under section 49-426 or 49-480.

14       48. Sales of materials that are purchased by or for publicly funded  
15 libraries including school district libraries, charter school libraries,  
16 community college libraries, state university libraries or federal, state,  
17 county or municipal libraries for use by the public as follows:

18       (a) Printed or photographic materials, beginning August 7, 1985.

19       (b) Electronic or digital media materials, beginning July 17, 1994.

20       49. Tangible personal property sold to a commercial airline and  
21 consisting of food, beverages and condiments and accessories used for serving  
22 the food and beverages, if those items are to be provided without additional  
23 charge to passengers for consumption in flight. For purposes of this  
24 paragraph, "commercial airline" means a person holding a federal certificate  
25 of public convenience and necessity or foreign air carrier permit for air  
26 transportation to transport persons, property or United States mail in  
27 intrastate, interstate or foreign commerce.

28       50. Sales of alternative fuel vehicles, ~~as defined in section 43-1086,~~  
29 if the vehicle was manufactured as a diesel fuel vehicle and converted to  
30 operate on alternative fuel and equipment that is installed in a conventional  
31 diesel fuel motor vehicle to convert the vehicle to operate on an alternative  
32 fuel, as defined in section 1-215.

33       51. Sales of any spirituous, vinous or malt liquor by a person that is  
34 licensed in this state as a wholesaler by the department of liquor licenses  
35 and control pursuant to title 4, chapter 2, article 1.

36       52. Sales of tangible personal property to be incorporated or installed  
37 as part of environmental response or remediation activities under section  
38 42-5075, subsection B, paragraph 6.

39       53. Sales of tangible personal property by a nonprofit organization  
40 that is exempt from taxation under section 501(c)(6) of the internal revenue  
41 code if the organization produces, organizes or promotes cultural or civic  
42 related festivals or events and no part of the organization's net earnings  
43 inures to the benefit of any private shareholder or individual.

44       B. In addition to the deductions from the tax base prescribed by  
45 subsection A of this section, the gross proceeds of sales or gross income

1 derived from sales of the following categories of tangible personal property  
2 shall be deducted from the tax base:

3 1. Machinery, or equipment, used directly in manufacturing,  
4 processing, fabricating, job printing, refining or metallurgical operations.  
5 The terms "manufacturing", "processing", "fabricating", "job printing",  
6 "refining" and "metallurgical" as used in this paragraph refer to and include  
7 those operations commonly understood within their ordinary meaning.  
8 "Metallurgical operations" includes leaching, milling, precipitating,  
9 smelting and refining.

10 2. Mining machinery, or equipment, used directly in the process of  
11 extracting ores or minerals from the earth for commercial purposes, including  
12 equipment required to prepare the materials for extraction and handling,  
13 loading or transporting such extracted material to the surface. "Mining"  
14 includes underground, surface and open pit operations for extracting ores and  
15 minerals.

16 3. Tangible personal property sold to persons engaged in business  
17 classified under the telecommunications classification and consisting of  
18 central office switching equipment, switchboards, private branch exchange  
19 equipment, microwave radio equipment and carrier equipment including optical  
20 fiber, coaxial cable and other transmission media which are components of  
21 carrier systems.

22 4. Machinery, equipment or transmission lines used directly in  
23 producing or transmitting electrical power, but not including distribution.  
24 Transformers and control equipment used at transmission substation sites  
25 constitute equipment used in producing or transmitting electrical power.

26 5. Neat animals, horses, asses, sheep, ratites, swine or goats used or  
27 to be used as breeding or production stock, including sales of breedings or  
28 ownership shares in such animals used for breeding or production.

29 6. Pipes or valves four inches in diameter or larger used to transport  
30 oil, natural gas, artificial gas, water or coal slurry, including compressor  
31 units, regulators, machinery and equipment, fittings, seals and any other  
32 part that is used in operating the pipes or valves.

33 7. Aircraft, navigational and communication instruments and other  
34 accessories and related equipment sold to:

35 (a) A person holding a federal certificate of public convenience and  
36 necessity, a supplemental air carrier certificate under federal aviation  
37 regulations (14 Code of Federal Regulations part 121) or a foreign air  
38 carrier permit for air transportation for use as or in conjunction with or  
39 becoming a part of aircraft to be used to transport persons, property or  
40 United States mail in intrastate, interstate or foreign commerce.

41 (b) Any foreign government for use by such government outside of this  
42 state.

43 (c) Persons who are not residents of this state and who will not use  
44 such property in this state other than in removing such property from this  
45 state. This subdivision also applies to corporations that are not



1 incorporated in this state, regardless of maintaining a place of business in  
2 this state, if the principal corporate office is located outside this state  
3 and the property will not be used in this state other than in removing the  
4 property from this state.

5 8. Machinery, tools, equipment and related supplies used or consumed  
6 directly in repairing, remodeling or maintaining aircraft, aircraft engines  
7 or aircraft component parts by or on behalf of a certificated or licensed  
8 carrier of persons or property.

9 9. Railroad rolling stock, rails, ties and signal control equipment  
10 used directly to transport persons or property.

11 10. Machinery or equipment used directly to drill for oil or gas or  
12 used directly in the process of extracting oil or gas from the earth for  
13 commercial purposes.

14 11. Buses or other urban mass transit vehicles which are used directly  
15 to transport persons or property for hire or pursuant to a governmentally  
16 adopted and controlled urban mass transportation program and which are sold  
17 to bus companies holding a federal certificate of convenience and necessity  
18 or operated by any city, town or other governmental entity or by any person  
19 contracting with such governmental entity as part of a governmentally adopted  
20 and controlled program to provide urban mass transportation.

21 12. Groundwater measuring devices required under section 45-604.

22 13. New machinery and equipment consisting of tractors, tractor-drawn  
23 implements, self-powered implements, machinery and equipment necessary for  
24 extracting milk, and machinery and equipment necessary for cooling milk and  
25 livestock, and drip irrigation lines not already exempt under paragraph 6 of  
26 this subsection and that are used for commercial production of agricultural,  
27 horticultural, viticultural and floricultural crops and products in this  
28 state. In this paragraph:

29 (a) "New machinery and equipment" means machinery and equipment which  
30 have never been sold at retail except pursuant to leases or rentals which do  
31 not total two years or more.

32 (b) "Self-powered implements" includes machinery and equipment that  
33 are electric-powered.

34 14. Machinery or equipment used in research and development. In this  
35 paragraph, "research and development" means basic and applied research in the  
36 sciences and engineering, and designing, developing or testing prototypes,  
37 processes or new products, including research and development of computer  
38 software that is embedded in or an integral part of the prototype or new  
39 product or that is required for machinery or equipment otherwise exempt under  
40 this section to function effectively. Research and development do not  
41 include manufacturing quality control, routine consumer product testing,  
42 market research, sales promotion, sales service, research in social sciences  
43 or psychology, computer software research that is not included in the  
44 definition of research and development, or other nontechnological activities  
45 or technical services.

1           15. Machinery and equipment that are purchased by or on behalf of the  
2 owners of a soundstage complex and primarily used for motion picture,  
3 multimedia or interactive video production in the complex. This paragraph  
4 applies only if the initial construction of the soundstage complex begins  
5 after June 30, 1996 and before January 1, 2002 and the machinery and  
6 equipment are purchased before the expiration of five years after the start  
7 of initial construction. For purposes of this paragraph:

8           (a) "Motion picture, multimedia or interactive video production"  
9 includes products for theatrical and television release, educational  
10 presentations, electronic retailing, documentaries, music videos, industrial  
11 films, CD-ROM, video game production, commercial advertising and television  
12 episode production and other genres that are introduced through developing  
13 technology.

14           (b) "Soundstage complex" means a facility of multiple stages including  
15 production offices, construction shops and related areas, prop and costume  
16 shops, storage areas, parking for production vehicles and areas that are  
17 leased to businesses that complement the production needs and orientation of  
18 the overall facility.

19           16. Tangible personal property that is used by either of the following  
20 to receive, store, convert, produce, generate, decode, encode, control or  
21 transmit telecommunications information:

22           (a) Any direct broadcast satellite television or data transmission  
23 service that operates pursuant to 47 Code of Federal Regulations parts 25 and  
24 100.

25           (b) Any satellite television or data transmission facility, if both of  
26 the following conditions are met:

27           (i) Over two-thirds of the transmissions, measured in megabytes,  
28 transmitted by the facility during the test period were transmitted to or on  
29 behalf of one or more direct broadcast satellite television or data  
30 transmission services that operate pursuant to 47 Code of Federal Regulations  
31 parts 25 and 100.

32           (ii) Over two-thirds of the transmissions, measured in megabytes,  
33 transmitted by or on behalf of those direct broadcast television or data  
34 transmission services during the test period were transmitted by the facility  
35 to or on behalf of those services.

36 For purposes of subdivision (b) of this paragraph, "test period" means the  
37 three hundred sixty-five day period beginning on the later of the date on  
38 which the tangible personal property is purchased or the date on which the  
39 direct broadcast satellite television or data transmission service first  
40 transmits information to its customers.

41           17. Clean rooms that are used for manufacturing, processing,  
42 fabrication or research and development, as defined in paragraph 14 of this  
43 subsection, of semiconductor products. For purposes of this paragraph,  
44 "clean room" means all property that comprises or creates an environment  
45 where humidity, temperature, particulate matter and contamination are

1 precisely controlled within specified parameters, without regard to whether  
2 the property is actually contained within that environment or whether any of  
3 the property is affixed to or incorporated into real property. Clean room:

4 (a) Includes the integrated systems, fixtures, piping, movable  
5 partitions, lighting and all property that is necessary or adapted to reduce  
6 contamination or to control airflow, temperature, humidity, chemical purity  
7 or other environmental conditions or manufacturing tolerances, as well as the  
8 production machinery and equipment operating in conjunction with the clean  
9 room environment.

10 (b) Does not include the building or other permanent, nonremovable  
11 component of the building that houses the clean room environment.

12 18. Machinery and equipment used directly in the feeding of poultry,  
13 the environmental control of housing for poultry, the movement of eggs within  
14 a production and packaging facility or the sorting or cooling of eggs. This  
15 exemption does not apply to vehicles used for transporting eggs.

16 19. Machinery or equipment, including related structural components,  
17 that is employed in connection with manufacturing, processing, fabricating,  
18 job printing, refining, mining, natural gas pipelines, metallurgical  
19 operations, telecommunications, producing or transmitting electricity or  
20 research and development and that is used directly to meet or exceed rules or  
21 regulations adopted by the federal energy regulatory commission, the United  
22 States environmental protection agency, the United States nuclear regulatory  
23 commission, the Arizona department of environmental quality or a political  
24 subdivision of this state to prevent, monitor, control or reduce land, water  
25 or air pollution.

26 20. Machinery and equipment that are sold to a person engaged in the  
27 commercial production of livestock, livestock products or agricultural,  
28 horticultural, viticultural or floricultural crops or products in this state  
29 and that are used directly and primarily to prevent, monitor, control or  
30 reduce air, water or land pollution.

31 21. Machinery or equipment that enables a television station to  
32 originate and broadcast or to receive and broadcast digital television  
33 signals and that was purchased to facilitate compliance with the  
34 telecommunications act of 1996 (P.L. 104-104; 110 Stat. 56; 47 United States  
35 Code section 336) and the federal communications commission order issued  
36 April 21, 1997 (47 Code of Federal Regulations part 73). This paragraph does  
37 not exempt any of the following:

38 (a) Repair or replacement parts purchased for the machinery or  
39 equipment described in this paragraph.

40 (b) Machinery or equipment purchased to replace machinery or equipment  
41 for which an exemption was previously claimed and taken under this paragraph.

42 (c) Any machinery or equipment purchased after the television station  
43 has ceased analog broadcasting, or purchased after November 1, 2009,  
44 whichever occurs first.

22. QUALIFYING EQUIPMENT THAT IS PURCHASED FROM AND AFTER JUNE 30, 2004 THROUGH JUNE 30, 2014 BY A QUALIFIED BUSINESS FOR HARVESTING, TRANSPORTING OR THE INITIAL PROCESSING OF FOREST PRODUCTS, INCLUDING BIOMASS, AS PROVIDED IN SECTION 41-1516. TO QUALIFY FOR THIS DEDUCTION, THE QUALIFIED BUSINESS AT THE TIME OF PURCHASE MUST PRESENT ITS CERTIFICATION APPROVED BY THE DEPARTMENT.

C. The deductions provided by subsection B of this section do not include sales of:

1. Expendable materials. For purposes of this paragraph, expendable materials do not include any of the categories of tangible personal property specified in subsection B of this section regardless of the cost or useful life of that property.

2. Janitorial equipment and hand tools.

3. Office equipment, furniture and supplies.

4. Tangible personal property used in selling or distributing activities, other than the telecommunications transmissions described in subsection B, paragraph 16 of this section.

5. Motor vehicles required to be licensed by this state, except buses or other urban mass transit vehicles specifically exempted pursuant to subsection B, paragraph 11 of this section, without regard to the use of such motor vehicles.

6. Shops, buildings, docks, depots and all other materials of whatever kind or character not specifically included as exempt.

7. Motors and pumps used in drip irrigation systems.

D. In addition to the deductions from the tax base prescribed by subsection A of this section, there shall be deducted from the tax base the gross proceeds of sales or gross income derived from sales of machinery, equipment, materials and other tangible personal property used directly and predominantly to construct a qualified environmental technology manufacturing, producing or processing facility as described in section 41-1514.02. This subsection applies for ten full consecutive calendar or fiscal years after the start of initial construction.

E. In computing the tax base, gross proceeds of sales or gross income from retail sales of heavy trucks and trailers does not include any amount attributable to federal excise taxes imposed by 26 United States Code section 4051.

F. In computing the tax base, gross proceeds of sales or gross income from the sale of use fuel, as defined in section 28-5601, does not include any amount attributable to federal excise taxes imposed by 26 United States Code section 4091.

G. If a person is engaged in an occupation or business to which subsection A of this section applies, the person's books shall be kept so as to show separately the gross proceeds of sales of tangible personal property and the gross income from sales of services, and if not so kept the tax shall

1 be imposed on the total of the person's gross proceeds of sales of tangible  
2 personal property and gross income from services.

3 H. If a person is engaged in the business of selling tangible personal  
4 property at both wholesale and retail, the tax under this section applies  
5 only to the gross proceeds of the sales made other than at wholesale if the  
6 person's books are kept so as to show separately the gross proceeds of sales  
7 of each class, and if the books are not so kept, the tax under this section  
8 applies to the gross proceeds of every sale so made.

9 I. A person who engages in manufacturing, baling, crating, boxing,  
10 barreling, canning, bottling, sacking, preserving, processing or otherwise  
11 preparing for sale or commercial use any livestock, agricultural or  
12 horticultural product or any other product, article, substance or commodity  
13 and who sells the product of such business at retail in this state is deemed,  
14 as to such sales, to be engaged in business classified under the retail  
15 classification. This subsection does not apply to businesses classified  
16 under the:

- 17 1. Transporting classification.
- 18 2. Utilities classification.
- 19 3. Telecommunications classification.
- 20 4. Pipeline classification.
- 21 5. Private car line classification.
- 22 6. Publication classification.
- 23 7. Job printing classification.
- 24 8. Prime contracting classification.
- 25 9. Owner builder sales classification.
- 26 10. Restaurant classification.

27 J. The gross proceeds of sales or gross income derived from the  
28 following shall be deducted from the tax base for the retail classification:

29 1. Sales made directly to the United States government or its  
30 departments or agencies by a manufacturer, modifier, assembler or repairer.

31 2. Sales made directly to a manufacturer, modifier, assembler or  
32 repairer if such sales are of any ingredient or component part of products  
33 sold directly to the United States government or its departments or agencies  
34 by the manufacturer, modifier, assembler or repairer.

35 3. Overhead materials or other tangible personal property that is used  
36 in performing a contract between the United States government and a  
37 manufacturer, modifier, assembler or repairer, including property used in  
38 performing a subcontract with a government contractor who is a manufacturer,  
39 modifier, assembler or repairer, to which title passes to the government  
40 under the terms of the contract or subcontract.

41 4. Sales of overhead materials or other tangible personal property to  
42 a manufacturer, modifier, assembler or repairer if the gross proceeds of  
43 sales or gross income derived from the property by the manufacturer,  
44 modifier, assembler or repairer will be exempt under paragraph 3 of this  
45 subsection.

1 K. There shall be deducted from the tax base fifty per cent of the  
2 gross proceeds or gross income from any sale of tangible personal property  
3 made directly to the United States government or its departments or agencies,  
4 which is not deducted under subsection J of this section.

5 L. The department shall require every person claiming a deduction  
6 provided by subsection J or K of this section to file on forms prescribed by  
7 the department at such times as the department directs a sworn statement  
8 disclosing the name of the purchaser and the exact amount of sales on which  
9 the exclusion or deduction is claimed.

10 M. In computing the tax base, gross proceeds of sales or gross income  
11 does not include:

12 1. A manufacturer's cash rebate on the sales price of a motor vehicle  
13 if the buyer assigns the buyer's right in the rebate to the retailer.

14 2. The waste tire disposal fee imposed pursuant to section 44-1302.

15 N. There shall be deducted from the tax base the amount received from  
16 sales of solar energy devices, but the deduction shall not exceed five  
17 thousand dollars for each solar energy device. Before deducting any amount  
18 under this subsection, the retailer shall register with the department as a  
19 solar energy retailer. By registering, the retailer acknowledges that it  
20 will make its books and records relating to sales of solar energy devices  
21 available to the department for examination.

22 O. In computing the tax base in the case of the sale or transfer of  
23 wireless telecommunications equipment as an inducement to a customer to enter  
24 into or continue a contract for telecommunications services that are taxable  
25 under section 42-5064, gross proceeds of sales or gross income does not  
26 include any sales commissions or other compensation received by the retailer  
27 as a result of the customer entering into or continuing a contract for the  
28 telecommunications services.

29 P. For the purposes of this section, a sale of wireless  
30 telecommunications equipment to a person who holds the equipment for sale or  
31 transfer to a customer as an inducement to enter into or continue a contract  
32 for telecommunications services that are taxable under section 42-5064 is  
33 considered to be a sale for resale in the regular course of business.

34 Q. Retail sales of prepaid calling cards or prepaid authorization  
35 numbers for telecommunications services, including sales of reauthorization  
36 of a prepaid card or authorization number, are subject to tax under this  
37 section.

38 R. For the purposes of this section, the diversion of gas from a  
39 pipeline by a person engaged in the business of operating a natural or  
40 artificial gas pipeline, for the sole purpose of fueling compressor equipment  
41 to pressurize the pipeline, is not a sale of the gas to the operator of the  
42 pipeline.

43 S. If a seller is entitled to a deduction pursuant to subsection B,  
44 paragraph 16, subdivision (b) of this section, the department may require the  
45 purchaser to establish that the requirements of subsection B, paragraph 16,

1 subdivision (b) of this section have been satisfied. If the purchaser cannot  
2 establish that the requirements of subsection B, paragraph 16, subdivision  
3 (b) of this section have been satisfied, the purchaser is liable in an amount  
4 equal to any tax, penalty and interest which the seller would have been  
5 required to pay under article 1 of this chapter if the seller had not made a  
6 deduction pursuant to subsection B, paragraph 16, subdivision (b) of this  
7 section. Payment of the amount under this subsection exempts the purchaser  
8 from liability for any tax imposed under article 4 of this chapter and  
9 related to the tangible personal property purchased. The amount shall be  
10 treated as transaction privilege tax to the purchaser and as tax revenues  
11 collected from the seller to designate the distribution base pursuant to  
12 section 42-5029.

13 T. For purposes of section 42-5032.01, the department shall separately  
14 account for revenues collected under the retail classification from  
15 businesses selling tangible personal property at retail:

16 1. On the premises of a multipurpose facility that is owned, leased or  
17 operated by the tourism and sports authority pursuant to title 5, chapter 8.

18 2. At professional football contests that are held in a stadium  
19 located on the campus of an institution under the jurisdiction of the Arizona  
20 board of regents.

21 U. For the purposes of this section:

22 1. "Aircraft" includes:

23 (a) An airplane flight simulator that is approved by the federal  
24 aviation administration for use as a phase II or higher flight simulator  
25 under appendix H, 14 Code of Federal Regulations part 121.

26 (b) Tangible personal property that is permanently affixed or attached  
27 as a component part of an aircraft that is owned or operated by a  
28 certificated or licensed carrier of persons or property.

29 2. "Other accessories and related equipment" includes aircraft  
30 accessories and equipment such as ground service equipment that physically  
31 contact aircraft at some point during the overall carrier operation.

32 3. "Selling at retail" means a sale for any purpose other than for  
33 resale in the regular course of business in the form of tangible personal  
34 property, but transfer of possession, lease and rental as used in the  
35 definition of sale mean only such transactions as are found on investigation  
36 to be in lieu of sales as defined without the words lease or rental.

37 V. For purposes of subsection J of this section:

38 1. "Assembler" means a person who unites or combines products, wares  
39 or articles of manufacture so as to produce a change in form or substance  
40 without changing or altering the component parts.

41 2. "Manufacturer" means a person who is principally engaged in the  
42 fabrication, production or manufacture of products, wares or articles for use  
43 from raw or prepared materials, imparting to those materials new forms,  
44 qualities, properties and combinations.

1           3. "Modifier" means a person who reworks, changes or adds to products,  
2 wares or articles of manufacture.

3           4. "Overhead materials" means tangible personal property, the gross  
4 proceeds of sales or gross income derived from which would otherwise be  
5 included in the retail classification, and which are used or consumed in the  
6 performance of a contract, the cost of which is charged to an overhead  
7 expense account and allocated to various contracts based upon generally  
8 accepted accounting principles and consistent with government contract  
9 accounting standards.

10          5. "Repairer" means a person who restores or renews products, wares or  
11 articles of manufacture.

12          6. "Subcontract" means an agreement between a contractor and any  
13 person who is not an employee of the contractor for furnishing of supplies or  
14 services that, in whole or in part, are necessary to the performance of one  
15 or more government contracts, or under which any portion of the contractor's  
16 obligation under one or more government contracts is performed, undertaken or  
17 assumed and that includes provisions causing title to overhead materials or  
18 other tangible personal property used in the performance of the subcontract  
19 to pass to the government or that includes provisions incorporating such  
20 title passing clauses in a government contract into the subcontract.

21          Sec. 9. Section 42-5071, Arizona Revised Statutes, is amended to read:

22          42-5071. Personal property rental classification

23          A. The personal property rental classification is comprised of the  
24 business of leasing or renting tangible personal property for a  
25 consideration. The tax does not apply to:

26           1. Leasing or renting films, tapes or slides used by theaters or  
27 movies, which are engaged in business under the amusement classification, or  
28 used by television stations or radio stations.

29           2. Activities engaged in by the Arizona exposition and state fair  
30 board or county fair commissions in connection with events sponsored by such  
31 entities.

32           3. Leasing or renting tangible personal property by a parent  
33 corporation to a subsidiary corporation or by a subsidiary corporation to  
34 another subsidiary of the same parent corporation if taxes were paid under  
35 this chapter on the gross proceeds or gross income accruing from the initial  
36 sale of the tangible personal property. For the purposes of this paragraph,  
37 "subsidiary" means a corporation of which at least eighty per cent of the  
38 voting shares are owned by the parent corporation.

39           4. Operating coin operated washing, drying and dry cleaning machines  
40 or coin operated car washing machines at establishments for the use of such  
41 machines.

42           5. Leasing or renting tangible personal property for incorporation  
43 into or comprising any part of a qualified environmental technology facility  
44 as described in section 41-1514.02. This paragraph shall apply for ten full



1 consecutive calendar or fiscal years following the initial lease or rental by  
2 each qualified environmental technology manufacturer, producer or processor.

3 6. Leasing or renting aircraft, flight simulators or similar training  
4 equipment to students or staff by nonprofit, accredited educational  
5 institutions that offer associate or baccalaureate degrees in aviation or  
6 aerospace related fields.

7 7. Leasing or renting photographs, transparencies or other creative  
8 works used by this state on internet web sites, in magazines or in other  
9 publications that encourage tourism.

10 B. The tax base for the personal property rental classification is the  
11 gross proceeds of sales or gross income derived from the business, but the  
12 gross proceeds of sales or gross income derived from the following shall be  
13 deducted from the tax base:

14 1. Reimbursements by the lessee to the lessor of a motor vehicle for  
15 payments by the lessor of the applicable fees and taxes imposed by sections  
16 28-2003, 28-2352, 28-2402, 28-2481 and 28-5801, title 28, chapter 15,  
17 article 2 and article IX, section 11, Constitution of Arizona, to the extent  
18 such amounts are separately identified as such fees and taxes and are billed  
19 to the lessee.

20 2. Leases or rentals of tangible personal property which, if it had  
21 been purchased instead of leased or rented by the lessee, would have been  
22 exempt under:

23 (a) Section 42-5061, subsection A, paragraph 8, 9, 12, 13, 25, 29 or  
24 50.

25 (b) Section 42-5061, subsection B, except that a lease or rental of  
26 new machinery or equipment is not exempt pursuant to:

27 (i) Section 42-5061, subsection B, paragraph 13 if the lease is for  
28 less than two years.

29 (ii) SECTION 42-5061, SUBSECTION B, PARAGRAPH 22 IF THE LEASE IS FOR  
30 LESS THAN FIVE YEARS.

31 (c) Section 42-5061, subsection J, paragraph 1.

32 (d) Section 42-5061, subsection N.

33 3. Motor vehicle fuel and use fuel that are subject to a tax imposed  
34 under title 28, chapter 16, article 1, sales of use fuel to a holder of a  
35 valid single trip use fuel tax permit issued under section 28-5739 and sales  
36 of aviation fuel that are subject to the tax imposed under section 28-8344.

37 4. Leasing or renting a motor vehicle subject to and upon which the  
38 fee has been paid under title 28, chapter 16, article 4.

39 C. Sales of tangible personal property to be leased or rented to a  
40 person engaged in a business classified under the personal property rental  
41 classification are deemed to be resale sales.

42 D. In computing the tax base, the gross proceeds of sales or gross  
43 income from the lease or rental of a motor vehicle does not include any  
44 amount attributable to the car rental surcharge under section 28-5810 or  
45 48-4234.

1 E. Until December 31, 1988, leasing or renting animals for  
2 recreational purposes is exempt from the tax imposed by this section.  
3 Beginning January 1, 1989, the gross proceeds or gross income from leasing or  
4 renting animals for recreational purposes is subject to taxation under this  
5 section. Tax liabilities, penalties and interest paid for taxable periods  
6 before January 1, 1989 shall not be refunded unless the taxpayer requesting  
7 the refund provides proof satisfactory to the department that the monies paid  
8 as taxes will be returned to the customer.

9 Sec. 10. Section 42-5075, Arizona Revised Statutes, is amended to  
10 read:

11 42-5075. Prime contracting classification; exemptions;  
12 definitions

13 A. The prime contracting classification is comprised of the business  
14 of prime contracting and dealership of manufactured buildings. The sale of a  
15 used manufactured building is not taxable under this chapter.

16 B. The tax base for the prime contracting classification is sixty-five  
17 per cent of the gross proceeds of sales or gross income derived from the  
18 business. The following amounts shall be deducted from the gross proceeds of  
19 sales or gross income before computing the tax base:

20 1. The sales price of land, which shall not exceed the fair market  
21 value.

22 2. Sales and installation of groundwater measuring devices required  
23 under section 45-604 and groundwater monitoring wells required by law,  
24 including monitoring wells installed for acquiring information for a permit  
25 required by law.

26 3. The sales price of furniture, furnishings, fixtures, appliances,  
27 and attachments that are not incorporated as component parts of or attached  
28 to a manufactured building or the setup site. The sale of such items may be  
29 subject to the taxes imposed by article 1 of this chapter separately and  
30 distinctly from the sale of the manufactured building.

31 4. The gross proceeds of sales or gross income received from a  
32 contract entered into for the construction, alteration, repair, addition,  
33 subtraction, improvement, movement, wrecking or demolition of any building,  
34 highway, road, railroad, excavation, manufactured building or other  
35 structure, project, development or improvement located in a military reuse  
36 zone for providing aviation or aerospace services or for a manufacturer,  
37 assembler or fabricator of aviation or aerospace products within five years  
38 after the zone is initially established or renewed under section 41-1531. To  
39 qualify for this deduction, before beginning work under the contract the  
40 prime contractor must obtain a letter of qualification from the department of  
41 revenue.

42 5. The gross proceeds of sales or gross income derived from a contract  
43 to construct a qualified environmental technology manufacturing, producing or  
44 processing facility, as described in section 41-1514.02, and from subsequent  
45 construction and installation contracts that begin within ten years after the

1 start of initial construction. To qualify for this deduction, before  
2 beginning work under the contract the prime contractor must obtain a letter  
3 of qualification from the department of revenue. This paragraph shall apply  
4 for ten full consecutive calendar or fiscal years after the start of initial  
5 construction.

6 6. The gross proceeds of sales or gross income from a contract to  
7 provide for one or more of the following actions, or a contract for site  
8 preparation, constructing, furnishing or installing machinery, equipment or  
9 other tangible personal property, including structures necessary to protect  
10 exempt incorporated materials or installed machinery or equipment, and  
11 tangible personal property incorporated into the project, to perform one or  
12 more of the following actions in response to a release or suspected release  
13 of a hazardous substance, pollutant or contaminant from a facility to the  
14 environment, unless the release was authorized by a permit issued by a  
15 governmental authority:

16 (a) Actions to monitor, assess and evaluate such a release or a  
17 suspected release.

18 (b) Excavation, removal and transportation of contaminated soil and  
19 its treatment or disposal.

20 (c) Treatment of contaminated soil by vapor extraction, chemical or  
21 physical stabilization, soil washing or biological treatment to reduce the  
22 concentration, toxicity or mobility of a contaminant.

23 (d) Pumping and treatment or in situ treatment of contaminated  
24 groundwater or surface water to reduce the concentration or toxicity of a  
25 contaminant.

26 (e) The installation of structures, such as cutoff walls or caps, to  
27 contain contaminants present in groundwater or soil and prevent them from  
28 reaching a location where they could threaten human health or welfare or the  
29 environment.

30 This paragraph does not include asbestos removal or the construction or use  
31 of ancillary structures such as maintenance sheds, offices or storage  
32 facilities for unattached equipment, pollution control equipment, facilities  
33 or other control items required or to be used by a person to prevent or  
34 control contamination before it reaches the environment.

35 7. The gross proceeds of sales or gross income that is derived from a  
36 contract entered into for the installation, assembly, repair or maintenance  
37 of machinery, equipment or other tangible personal property that is deducted  
38 from the tax base of the retail classification pursuant to section 42-5061,  
39 subsection B, or that is exempt from use tax pursuant to section 42-5159,  
40 subsection B, and that does not become a permanent attachment to a building,  
41 highway, road, railroad, excavation or manufactured building or other  
42 structure, project, development or improvement. If the ownership of the  
43 realty is separate from the ownership of the machinery, equipment or tangible  
44 personal property, the determination as to permanent attachment shall be made  
45 as if the ownership were the same. The deduction provided in this paragraph

1 does not include gross proceeds of sales or gross income from that portion of  
2 any contracting activity which consists of the development of, or  
3 modification to, real property in order to facilitate the installation,  
4 assembly, repair, maintenance or removal of machinery, equipment or other  
5 tangible personal property that is deducted from the tax base of the retail  
6 classification pursuant to section 42-5061, subsection B or that is exempt  
7 from use tax pursuant to section 42-5159, subsection B. For purposes of this  
8 paragraph, "permanent attachment" means at least one of the following:

9 (a) To be incorporated into real property.

10 (b) To become so affixed to real property that it becomes a part of  
11 the real property.

12 (c) To be so attached to real property that removal would cause  
13 substantial damage to the real property from which it is removed.

14 8. The gross proceeds of sales or gross income received from a  
15 contract for constructing any lake facility development in a commercial  
16 enhancement reuse district that is designated pursuant to section 9-499.08 if  
17 the prime contractor maintains the following records in a form satisfactory  
18 to the department and to the city or town in which the property is located:

19 (a) The certificate of qualification of the lake facility development  
20 issued by the city or town pursuant to section 9-499.08, subsection D.

21 (b) All state and local transaction privilege tax returns for the  
22 period of time during which the prime contractor received gross proceeds of  
23 sales or gross income from a contract to construct a lake facility  
24 development in a designated commercial enhancement reuse district, showing  
25 the amount exempted from state and local taxation.

26 (c) Any other information that the department considers to be  
27 necessary.

28 9. The gross proceeds of sales or gross income attributable to the  
29 purchase of machinery, equipment or other tangible personal property that is  
30 exempt from or deductible from transaction privilege and use tax under:

31 (a) Section 42-5061, subsection A, paragraph 25 or 29.

32 (b) Section 42-5061, subsection B.

33 (c) Section 42-5159, subsection A, paragraph 13, subdivision (a), (b),  
34 (c), (d), (e), (f), (i) or (j).

35 (d) Section 42-5159, subsection B.

36 10. The gross proceeds of sales or gross income received from a  
37 contract for the construction of an environmentally controlled facility for  
38 the raising of poultry for the production of eggs and the sorting, cooling  
39 and packaging of eggs.

40 11. The gross proceeds of sales or gross income that is derived from a  
41 contract entered into with a person who is engaged in the commercial  
42 production of livestock, livestock products or agricultural, horticultural,  
43 viticultural or floricultural crops or products in this state for the  
44 construction, alteration, repair, improvement, movement, wrecking or  
45 demolition or addition to or subtraction from any building, highway, road,

1 excavation, manufactured building or other structure, project, development or  
2 improvement used directly and primarily to prevent, monitor, control or  
3 reduce air, water or land pollution.

4 12. The gross proceeds of sales or gross income that is derived from  
5 the installation, assembly, repair or maintenance of clean rooms that are  
6 deducted from the tax base of the retail classification pursuant to section  
7 42-5061, subsection B, paragraph 17.

8 13. For taxable periods beginning from and after June 30, 2001, the  
9 gross proceeds of sales or gross income derived from a contract entered into  
10 for the construction of a residential apartment housing facility that  
11 qualifies for a federal housing subsidy for low income persons over sixty-two  
12 years of age and that is owned by a nonprofit charitable organization that  
13 has qualified under section 501(c)(3) of the internal revenue code.

14 14. For taxable periods beginning from and after December 31, 1996 and  
15 ending before January 1, 2011, the gross proceeds of sales or gross income  
16 derived from a contract to provide and install a solar energy device. The  
17 deduction shall not exceed five thousand dollars for each contract. Before  
18 deducting any amount under this paragraph, the contractor shall register with  
19 the department as a solar energy contractor. By registering, the contractor  
20 acknowledges that it will make its books and records relating to sales of  
21 solar energy devices available to the department for examination.

22 15. The gross proceeds of sales or gross income derived from a contract  
23 entered into for the construction of a launch site, as defined in 14 Code of  
24 Federal Regulations section 401.5.

25 16. The gross proceeds of sales or gross income derived from a contract  
26 entered into for the construction of a domestic violence shelter that is  
27 owned and operated by a nonprofit charitable organization that has qualified  
28 under section 501(c)(3) of the internal revenue code.

29 17. The gross proceeds of sales or gross income derived from contracts  
30 to perform postconstruction treatment of real property for termite and  
31 general pest control, including wood destroying organisms.

32 18. The gross proceeds of sales or gross income received from contracts  
33 entered into before July 1, 2006 for constructing a state university research  
34 infrastructure project if the project has been reviewed by the joint  
35 committee on capital review before the university enters into the  
36 construction contract for the project. For the purposes of this paragraph,  
37 "research infrastructure" has the same meaning prescribed in section 15-1670.

38 19. THE GROSS PROCEEDS OF SALES OR GROSS INCOME RECEIVED FROM A  
39 CONTRACT FOR THE CONSTRUCTION OF ANY BUILDING, OR OTHER STRUCTURE, PROJECT,  
40 DEVELOPMENT OR IMPROVEMENT OWNED BY A QUALIFIED BUSINESS FOR HARVESTING,  
41 TRANSPORTING OR THE INITIAL PROCESSING OF FOREST PRODUCTS, INCLUDING BIOMASS,  
42 AS PROVIDED IN SECTION 41-1516 IF ACTUAL CONSTRUCTION BEGINS BEFORE JANUARY  
43 1, 2010. TO QUALIFY FOR THIS DEDUCTION, THE PRIME CONTRACTOR MUST OBTAIN A  
44 LETTER OF QUALIFICATION FROM THE DEPARTMENT OF COMMERCE BEFORE BEGINNING WORK  
45 UNDER THE CONTRACT.

1           C. Entitlement to the deduction pursuant to subsection B, paragraph 7  
2 of this section is subject to the following provisions:

3           1. A prime contractor may establish entitlement to the deduction by  
4 both:

5           (a) Marking the invoice for the transaction to indicate that the gross  
6 proceeds of sales or gross income derived from the transaction was deducted  
7 from the base.

8           (b) Obtaining a certificate executed by the purchaser indicating the  
9 name and address of the purchaser, the precise nature of the business of the  
10 purchaser, the purpose for which the purchase was made, the necessary facts  
11 to establish the deductibility of the property under section 42-5061,  
12 subsection B, and a certification that the person executing the certificate  
13 is authorized to do so on behalf of the purchaser. The certificate may be  
14 disregarded if the prime contractor has reason to believe that the  
15 information contained in the certificate is not accurate or complete.

16           2. A person who does not comply with paragraph 1 of this subsection  
17 may establish entitlement to the deduction by presenting facts necessary to  
18 support the entitlement, but the burden of proof is on that person.

19           3. The department may prescribe a form for the certificate described  
20 in paragraph 1, subdivision (b) of this subsection. The department may also  
21 adopt rules that describe the transactions with respect to which a person is  
22 not entitled to rely solely on the information contained in the certificate  
23 provided in paragraph 1, subdivision (b) of this subsection but must instead  
24 obtain such additional information as required in order to be entitled to the  
25 deduction.

26           4. If a prime contractor is entitled to a deduction by complying with  
27 paragraph 1 of this subsection, the department may require the purchaser who  
28 caused the execution of the certificate to establish the accuracy and  
29 completeness of the information required to be contained in the certificate  
30 which would entitle the prime contractor to the deduction. If the purchaser  
31 cannot establish the accuracy and completeness of the information, the  
32 purchaser is liable in an amount equal to any tax, penalty and interest which  
33 the prime contractor would have been required to pay under article 1 of this  
34 chapter if the prime contractor had not complied with paragraph 1 of this  
35 subsection. Payment of the amount under this paragraph exempts the purchaser  
36 from liability for any tax imposed under article 4 of this chapter. The  
37 amount shall be treated as a transaction privilege tax to the purchaser and  
38 as tax revenues collected from the prime contractor in order to designate the  
39 distribution base for purposes of section 42-5029.

1           D. Subcontractors or others who perform services in respect to any  
2 improvement, building, highway, road, railroad, excavation, manufactured  
3 building or other structure, project, development or improvement are not  
4 subject to tax if they can demonstrate that the job was within the control of  
5 a prime contractor or contractors or a dealership of manufactured buildings  
6 and that the prime contractor or dealership is liable for the tax on the  
7 gross income, gross proceeds of sales or gross receipts attributable to the  
8 job and from which the subcontractors or others were paid.

9           E. Amounts received by a contractor for a project are excluded from  
10 the contractor's gross proceeds of sales or gross income derived from the  
11 business if the person who hired the contractor executes and provides a  
12 certificate to the contractor stating that the person providing the  
13 certificate is a prime contractor and is liable for the tax under article 1  
14 of this chapter. The department shall prescribe the form of the certificate.  
15 If the contractor has reason to believe that the information contained on the  
16 certificate is erroneous or incomplete, the department may disregard the  
17 certificate. If the person who provides the certificate is not liable for  
18 the tax as a prime contractor, that person is nevertheless deemed to be the  
19 prime contractor in lieu of the contractor and is subject to the tax under  
20 this section on the gross receipts or gross proceeds received by the  
21 contractor.

22           F. Every person engaging or continuing in this state in the business  
23 of prime contracting or dealership of manufactured buildings shall present to  
24 the purchaser of such prime contracting or manufactured building a written  
25 receipt of the gross income or gross proceeds of sales from such activity and  
26 shall separately state the taxes to be paid pursuant to this section.

27           G. For purposes of section 42-5032.01, the department shall separately  
28 account for revenues collected under the prime contracting classification  
29 from any prime contractor engaged in the preparation or construction of a  
30 multipurpose facility, and related infrastructure, that is owned, operated or  
31 leased by the tourism and sports authority pursuant to title 5, chapter 8.

32           H. The gross proceeds of sales or gross income derived from a contract  
33 for lawn maintenance services are not subject to tax under this section if  
34 the contract does not include landscaping activities. Lawn maintenance  
35 service is a service pursuant to section 42-5061, subsection A, paragraph 1,  
36 and includes lawn mowing and edging, weeding, repairing sprinkler heads or  
37 drip irrigation heads, seasonal replacement of flowers, refreshing gravel,  
38 lawn de-thatching, seeding winter lawns, leaf and debris collection and  
39 removal, tree or shrub pruning or clipping, garden and gravel raking and  
40 applying pesticides, as defined in section 3-361, and fertilizer materials,  
41 as defined in section 3-262.

42           I. The gross proceeds of sales or gross income derived from  
43 landscaping activities are subject to tax under this section. Landscaping  
44 includes installing lawns, grading or leveling ground, installing gravel or  
45 boulders, planting trees and other plants, felling trees, removing or

1 mulching tree stumps, removing other imbedded plants, building or modifying  
2 irrigation berms, repairing sprinkler or watering systems, installing  
3 railroad ties and installing underground sprinkler or watering systems.

4 J. For **THE** purposes of this section:

5 1. "Contracting" means engaging in business as a contractor.

6 2. "Contractor" is synonymous with the term "builder" and means any  
7 person, firm, partnership, corporation, association or other organization, or  
8 a combination of any of them, that undertakes to or offers to undertake to,  
9 or purports to have the capacity to undertake to, or submits a bid to, or  
10 does personally or by or through others, construct, alter, repair, add to,  
11 subtract from, improve, move, wreck or demolish any building, highway, road,  
12 railroad, excavation, manufactured building or other structure, project,  
13 development or improvement, or to do any part of such a project, including  
14 the erection of scaffolding or other structure or works in connection with  
15 such a project, and includes subcontractors and specialty contractors. For  
16 all purposes of taxation or deduction, this definition shall govern without  
17 regard to whether or not such contractor is acting in fulfillment of a  
18 contract.

19 3. "Dealership of manufactured buildings" means a dealer who either:

20 (a) Is licensed pursuant to title 41, chapter 16 and who sells at  
21 retail manufactured buildings.

22 (b) Supervises, performs or coordinates the excavation and completion  
23 of site improvements, setup or moving of a manufactured building including  
24 the contracting, if any, with any subcontractor or specialty contractor for  
25 the completion of the contract.

26 4. "Manufactured building" means a manufactured home, mobile home or  
27 factory-built building, as defined in section 41-2142.

28 5. "Prime contracting" means engaging in business as a prime  
29 contractor.

30 6. "Prime contractor" means a contractor who supervises, performs or  
31 coordinates the construction, alteration, repair, addition, subtraction,  
32 improvement, movement, wreckage or demolition of any building, highway, road,  
33 railroad, excavation, manufactured building or other structure, project,  
34 development or improvement including the contracting, if any, with any  
35 subcontractors or specialty contractors and who is responsible for the  
36 completion of the contract.

37 7. "Sale of a used manufactured building" does not include a lease of  
38 a used manufactured building.

39 Sec. 11. Section 42-5159, Arizona Revised Statutes, is amended to  
40 read:

41 **42-5159. Exemptions**

42 A. The tax levied by this article does not apply to the storage, use  
43 or consumption in this state of the following described tangible personal  
44 property:



1           1. Tangible personal property sold in this state, the gross receipts  
2 from the sale of which are included in the measure of the tax imposed by  
3 articles 1 and 2 of this chapter.

4           2. Tangible personal property the sale or use of which has already  
5 been subjected to an excise tax at a rate equal to or exceeding the tax  
6 imposed by this article under the laws of another state of the United States.  
7 If the excise tax imposed by the other state is at a rate less than the tax  
8 imposed by this article, the tax imposed by this article is reduced by the  
9 amount of the tax already imposed by the other state.

10          3. Tangible personal property, the storage, use or consumption of  
11 which the constitution or laws of the United States prohibit this state from  
12 taxing or to the extent that the rate or imposition of tax is  
13 unconstitutional under the laws of the United States.

14          4. Tangible personal property which directly enters into and becomes  
15 an ingredient or component part of any manufactured, fabricated or processed  
16 article, substance or commodity for sale in the regular course of business.

17          5. Motor vehicle fuel and use fuel, the sales, distribution or use of  
18 which in this state is subject to the tax imposed under the provisions of  
19 title 28, chapter 16, article 1, use fuel which is sold to or used by a  
20 person holding a valid single trip use fuel tax permit issued under section  
21 28-5739, aviation fuel, the sales, distribution or use of which in this state  
22 is subject to the tax imposed under section 28-8344, and jet fuel, the sales,  
23 distribution or use of which in this state is subject to the tax imposed  
24 under article 8 of this chapter.

25          6. Tangible personal property brought into this state by an individual  
26 who was a nonresident at the time the property was purchased for storage, use  
27 or consumption by the individual if the first actual use or consumption of  
28 the property was outside this state, unless the property is used in  
29 conducting a business in this state.

30          7. Purchases of implants used as growth promotants and injectable  
31 medicines, not already exempt under paragraph 16 of this subsection, for  
32 livestock and poultry owned by, or in possession of, persons who are engaged  
33 in producing livestock, poultry, or livestock or poultry products, or who are  
34 engaged in feeding livestock or poultry commercially. For purposes of this  
35 paragraph, "poultry" includes ratites.

36          8. Livestock, poultry, supplies, feed, salts, vitamins and other  
37 additives for use or consumption in the businesses of farming, ranching and  
38 feeding livestock or poultry, not including fertilizers, herbicides and  
39 insecticides. For purposes of this paragraph, "poultry" includes ratites.

40          9. Seeds, seedlings, roots, bulbs, cuttings and other propagative  
41 material for use in commercially producing agricultural, horticultural,  
42 viticultural or floricultural crops in this state.

43          10. Tangible personal property not exceeding two hundred dollars in any  
44 one month purchased by an individual at retail outside the continental limits  
45 of the United States for the individual's own personal use and enjoyment.

1           11. Advertising supplements which are intended for sale with newspapers  
2 published in this state and which have already been subjected to an excise  
3 tax under the laws of another state in the United States which equals or  
4 exceeds the tax imposed by this article.

5           12. Materials that are purchased by or for publicly funded libraries  
6 including school district libraries, charter school libraries, community  
7 college libraries, state university libraries or federal, state, county or  
8 municipal libraries for use by the public as follows:

9           (a) Printed or photographic materials, beginning August 7, 1985.

10          (b) Electronic or digital media materials, beginning July 17, 1994.

11          13. Tangible personal property purchased by:

12          (a) A hospital organized and operated exclusively for charitable  
13 purposes, no part of the net earnings of which inures to the benefit of any  
14 private shareholder or individual.

15          (b) A hospital operated by this state or a political subdivision of  
16 this state.

17          (c) A licensed nursing care institution or a licensed residential care  
18 institution or a residential care facility operated in conjunction with a  
19 licensed nursing care institution or a licensed kidney dialysis center, which  
20 provides medical services, nursing services or health related services and is  
21 not used or held for profit.

22          (d) A qualifying health care organization, as defined in section  
23 42-5001, if the tangible personal property is used by the organization solely  
24 to provide health and medical related educational and charitable services.

25          (e) A qualifying health care organization as defined in section  
26 42-5001 if the organization is dedicated to providing educational,  
27 therapeutic, rehabilitative and family medical education training for blind,  
28 visually impaired and multihandicapped children from the time of birth to age  
29 twenty-one.

30          (f) A nonprofit charitable organization that has qualified under  
31 section 501(c)(3) of the United States internal revenue code and that engages  
32 in and uses such property exclusively for training, job placement or  
33 rehabilitation programs or testing for mentally or physically handicapped  
34 persons.

35          (g) A person that is subject to tax under article 1 of this chapter by  
36 reason of being engaged in business classified under the prime contracting  
37 classification under section 42-5075, or a subcontractor working under the  
38 control of a prime contractor, if the tangible personal property is any of  
39 the following:

40          (i) Incorporated or fabricated by the contractor into a structure,  
41 project, development or improvement in fulfillment of a contract.

42          (ii) Used in environmental response or remediation activities under  
43 section 42-5075, subsection B, paragraph 6.

44          (iii) Incorporated or fabricated by the person into any lake facility  
45 development in a commercial enhancement reuse district under conditions

1 prescribed for the deduction allowed by section 42-5075, subsection B,  
2 paragraph 8.

3 (h) A nonprofit charitable organization that has qualified under  
4 section 501(c)(3) of the internal revenue code if the property is purchased  
5 from the parent or an affiliate organization that is located outside this  
6 state.

7 (i) A qualifying community health center as defined in section  
8 42-5001.

9 (j) A nonprofit charitable organization that has qualified under  
10 section 501(c)(3) of the internal revenue code and that regularly serves  
11 meals to the needy and indigent on a continuing basis at no cost.

12 (k) A person engaged in business under the transient lodging  
13 classification if the property is a personal hygiene item or articles used by  
14 human beings for food, drink or condiment, except alcoholic beverages, which  
15 are furnished without additional charge to and intended to be consumed by the  
16 transient during the transient's occupancy.

17 (l) For taxable periods beginning from and after June 30, 2001, a  
18 nonprofit charitable organization that has qualified under section 501(c)(3)  
19 of the internal revenue code and that provides residential apartment housing  
20 for low income persons over sixty-two years of age in a facility that  
21 qualifies for a federal housing subsidy, if the tangible personal property is  
22 used by the organization solely to provide residential apartment housing for  
23 low income persons over sixty-two years of age in a facility that qualifies  
24 for a federal housing subsidy.

25 14. Commodities, as defined by title 7 United States Code section 2,  
26 that are consigned for resale in a warehouse in this state in or from which  
27 the commodity is deliverable on a contract for future delivery subject to the  
28 rules of a commodity market regulated by the United States commodity futures  
29 trading commission.

30 15. Tangible personal property sold by:

31 (a) Any nonprofit organization organized and operated exclusively for  
32 charitable purposes and recognized by the United States internal revenue  
33 service under section 501(c)(3) of the internal revenue code.

34 (b) A nonprofit organization that is exempt from taxation under  
35 section 501(c)(3) or 501(c)(6) of the internal revenue code if the  
36 organization is associated with a major league baseball team or a national  
37 touring professional golfing association and no part of the organization's  
38 net earnings inures to the benefit of any private shareholder or individual.

39 (c) A nonprofit organization that is exempt from taxation under  
40 section 501(c)(3), 501(c)(4), 501(c)(6), 501(c)(7) or 501(c)(8) of the  
41 internal revenue code if the organization sponsors or operates a rodeo  
42 featuring primarily farm and ranch animals and no part of the organization's  
43 net earnings inures to the benefit of any private shareholder or individual.

1       16. Drugs and medical oxygen, including delivery hose, mask or tent,  
2 regulator and tank, on the prescription of a member of the medical, dental or  
3 veterinarian profession who is licensed by law to administer such substances.

4       17. Prosthetic appliances, as defined in section 23-501, prescribed or  
5 recommended by a person who is licensed, registered or otherwise  
6 professionally credentialed as a physician, dentist, podiatrist,  
7 chiropractor, naturopath, homeopath, nurse or optometrist.

8       18. Prescription eyeglasses and contact lenses.

9       19. Insulin, insulin syringes and glucose test strips.

10      20. Hearing aids as defined in section 36-1901.

11      21. Durable medical equipment which has a centers for medicare and  
12 medicaid services common procedure code, is designated reimbursable by  
13 medicare, is prescribed by a person who is licensed under title 32, chapter  
14 7, 13, 17 or 29, can withstand repeated use, is primarily and customarily  
15 used to serve a medical purpose, is generally not useful to a person in the  
16 absence of illness or injury and is appropriate for use in the home.

17      22. Food, as provided in and subject to the conditions of article 3 of  
18 this chapter and section 42-5074.

19      23. Items purchased with United States department of agriculture food  
20 stamp coupons issued under the food stamp act of 1977 (P.L. 95-113; 91 Stat.  
21 958) or food instruments issued under section 17 of the child nutrition act  
22 (P.L. 95-627; 92 Stat. 3603; P.L. 99-661, section 4302; 42 United States Code  
23 section 1786).

24      24. Food and drink provided without monetary charge by a taxpayer which  
25 is subject to section 42-5074 to its employees for their own consumption on  
26 the premises during the employees' hours of employment.

27      25. Tangible personal property that is used or consumed in a business  
28 subject to section 42-5074 for human food, drink or condiment, whether  
29 simple, mixed or compounded.

30      26. Food, drink or condiment and accessory tangible personal property  
31 if they are to be prepared and served to persons for consumption on the  
32 premises of a public school in a school district during school hours.

33      27. Lottery tickets or shares purchased pursuant to title 5, chapter 5,  
34 article 1.

35      28. Textbooks, sold by a bookstore, that are required by any state  
36 university or community college.

37      29. Magazines, other periodicals or other publications produced by this  
38 state to encourage tourist travel.

39      30. Paper machine clothing, such as forming fabrics and dryer felts,  
40 purchased by a paper manufacturer and directly used or consumed in paper  
41 manufacturing.

42      31. Coal, petroleum, coke, natural gas, virgin fuel oil and electricity  
43 purchased by a qualified environmental technology manufacturer, producer or  
44 processor as defined in section 41-1514.02 and directly used or consumed in  
45 the generation or provision of on-site power or energy solely for

1 environmental technology manufacturing, producing or processing or  
2 environmental protection. This paragraph shall apply for fifteen full  
3 consecutive calendar or fiscal years from the date the first paper  
4 manufacturing machine is placed in service. In the case of an environmental  
5 technology manufacturer, producer or processor who does not manufacture  
6 paper, the time period shall begin with the date the first manufacturing,  
7 processing or production equipment is placed in service.

8 32. Motor vehicles that are removed from inventory by a motor vehicle  
9 dealer as defined in section 28-4301 and that are provided to:

10 (a) Charitable or educational institutions that are exempt from  
11 taxation under section 501(c)(3) of the internal revenue code.

12 (b) Public educational institutions.

13 (c) State universities or affiliated organizations of a state  
14 university if no part of the organization's net earnings inures to the  
15 benefit of any private shareholder or individual.

16 33. Natural gas or liquefied petroleum gas used to propel a motor  
17 vehicle.

18 34. Machinery, equipment, technology or related supplies that are only  
19 useful to assist a person who is physically disabled as defined in section  
20 46-191, has a developmental disability as defined in section 36-551 or has a  
21 head injury as defined in section 41-3201 to be more independent and  
22 functional.

23 35. Liquid, solid or gaseous chemicals used in manufacturing,  
24 processing, fabricating, mining, refining, metallurgical operations, research  
25 and development and, beginning on January 1, 1999, printing, if using or  
26 consuming the chemicals, alone or as part of an integrated system of  
27 chemicals, involves direct contact with the materials from which the product  
28 is produced for the purpose of causing or permitting a chemical or physical  
29 change to occur in the materials as part of the production process. This  
30 paragraph does not include chemicals that are used or consumed in activities  
31 such as packaging, storage or transportation but does not affect any  
32 exemption for such chemicals that is otherwise provided by this section. For  
33 THE purposes of this paragraph, "printing" means a commercial printing  
34 operation and includes job printing, engraving, embossing, copying and  
35 bookbinding.

36 36. Food, drink and condiment purchased for consumption within the  
37 premises of any prison, jail or other institution under the jurisdiction of  
38 the state department of corrections, the department of public safety, the  
39 department of juvenile corrections or a county sheriff.

40 37. A motor vehicle and any repair and replacement parts and tangible  
41 personal property becoming a part of such motor vehicle sold to a motor  
42 carrier who is subject to a fee prescribed in title 28, chapter 16, article 4  
43 and who is engaged in the business of leasing or renting such property.

1           38. Tangible personal property which is or directly enters into and  
2 becomes an ingredient or component part of cards used as prescription plan  
3 identification cards.

4           39. Overhead materials or other tangible personal property that is used  
5 in performing a contract between the United States government and a  
6 manufacturer, modifier, assembler or repairer, including property used in  
7 performing a subcontract with a government contractor who is a manufacturer,  
8 modifier, assembler or repairer, to which title passes to the government  
9 under the terms of the contract or subcontract. For purposes of this  
10 paragraph:

11           (a) "Overhead materials" means tangible personal property, the gross  
12 proceeds of sales or gross income derived from which would otherwise be  
13 included in the retail classification, and which are used or consumed in the  
14 performance of a contract, the cost of which is charged to an overhead  
15 expense account and allocated to various contracts based upon generally  
16 accepted accounting principles and consistent with government contract  
17 accounting standards.

18           (b) "Subcontract" means an agreement between a contractor and any  
19 person who is not an employee of the contractor for furnishing of supplies or  
20 services that, in whole or in part, are necessary to the performance of one  
21 or more government contracts, or under which any portion of the contractor's  
22 obligation under one or more government contracts is performed, undertaken or  
23 assumed, and that includes provisions causing title to overhead materials or  
24 other tangible personal property used in the performance of the subcontract  
25 to pass to the government or that includes provisions incorporating such  
26 title passing clauses in a government contract into the subcontract.

27           40. Through December 31, 1994, tangible personal property sold pursuant  
28 to a personal property liquidation transaction, as defined in section  
29 42-5061. From and after December 31, 1994, tangible personal property sold  
30 pursuant to a personal property liquidation transaction, as defined in  
31 section 42-5061, if the gross proceeds of the sales were included in the  
32 measure of the tax imposed by article 1 of this chapter or if the personal  
33 property liquidation was a casual activity or transaction.

34           41. Wireless telecommunications equipment that is held for sale or  
35 transfer to a customer as an inducement to enter into or continue a contract  
36 for telecommunications services that are taxable under section 42-5064.

37           42. Alternative fuel, as defined in section 1-215, purchased by a used  
38 oil fuel burner who has received a permit to burn used oil or used oil fuel  
39 under section 49-426 or 49-480.

40           43. Tangible personal property purchased by a commercial airline and  
41 consisting of food, beverages and condiments and accessories used for serving  
42 the food and beverages, if those items are to be provided without additional  
43 charge to passengers for consumption in flight. For purposes of this  
44 paragraph, "commercial airline" means a person holding a federal certificate  
45 of public convenience and necessity or foreign air carrier permit for air

1 transportation to transport persons, property or United States mail in  
2 intrastate, interstate or foreign commerce.

3 44. Alternative fuel vehicles, as defined in section 43-1086, if the  
4 vehicle was manufactured as a diesel fuel vehicle and converted to operate on  
5 alternative fuel and equipment that is installed in a conventional diesel  
6 fuel motor vehicle to convert the vehicle to operate on an alternative fuel,  
7 as defined in section 1-215.

8 45. Gas diverted from a pipeline, by a person engaged in the business  
9 of operating a natural or artificial gas pipeline, and used or consumed for  
10 the sole purpose of fueling compressor equipment that pressurizes the  
11 pipeline.

12 46. Tangible personal property that is excluded, exempt or deductible  
13 from transaction privilege tax pursuant to section 42-5063.

14 47. Tangible personal property purchased to be incorporated or  
15 installed as part of environmental response or remediation activities under  
16 section 42-5075, subsection B, paragraph 6.

17 48. Tangible personal property sold by a nonprofit organization that  
18 is exempt from taxation under section 501(c)(6) of the internal revenue code  
19 if the organization produces, organizes or promotes cultural or civic related  
20 festivals or events and no part of the organization's net earnings inures to  
21 the benefit of any private shareholder or individual.

22 B. In addition to the exemptions allowed by subsection A of this  
23 section, the following categories of tangible personal property are also  
24 exempt:

25 1. Machinery, or equipment, used directly in manufacturing,  
26 processing, fabricating, job printing, refining or metallurgical operations.  
27 The terms "manufacturing", "processing", "fabricating", "job printing",  
28 "refining" and "metallurgical" as used in this paragraph refer to and include  
29 those operations commonly understood within their ordinary meaning.  
30 "Metallurgical operations" includes leaching, milling, precipitating,  
31 smelting and refining.

32 2. Machinery, or equipment, used directly in the process of extracting  
33 ores or minerals from the earth for commercial purposes, including equipment  
34 required to prepare the materials for extraction and handling, loading or  
35 transporting such extracted material to the surface. "Mining" includes  
36 underground, surface and open pit operations for extracting ores and  
37 minerals.

38 3. Tangible personal property sold to persons engaged in business  
39 classified under the telecommunications classification under section 42-5064  
40 and consisting of central office switching equipment, switchboards, private  
41 branch exchange equipment, microwave radio equipment and carrier equipment  
42 including optical fiber, coaxial cable and other transmission media which are  
43 components of carrier systems.

44 4. Machinery, equipment or transmission lines used directly in  
45 producing or transmitting electrical power, but not including distribution.

1 Transformers and control equipment used at transmission substation sites  
2 constitute equipment used in producing or transmitting electrical power.

3 5. Neat animals, horses, asses, sheep, ratites, swine or goats used or  
4 to be used as breeding or production stock, including sales of breedings or  
5 ownership shares in such animals used for breeding or production.

6 6. Pipes or valves four inches in diameter or larger used to transport  
7 oil, natural gas, artificial gas, water or coal slurry, including compressor  
8 units, regulators, machinery and equipment, fittings, seals and any other  
9 part that is used in operating the pipes or valves.

10 7. Aircraft, navigational and communication instruments and other  
11 accessories and related equipment sold to:

12 (a) A person holding a federal certificate of public convenience and  
13 necessity, a supplemental air carrier certificate under federal aviation  
14 regulations (14 Code of Federal Regulations part 121) or a foreign air  
15 carrier permit for air transportation for use as or in conjunction with or  
16 becoming a part of aircraft to be used to transport persons, property or  
17 United States mail in intrastate, interstate or foreign commerce.

18 (b) Any foreign government for use by such government outside of this  
19 state, or sold to persons who are not residents of this state and who will  
20 not use such property in this state other than in removing such property from  
21 this state.

22 8. Machinery, tools, equipment and related supplies used or consumed  
23 directly in repairing, remodeling or maintaining aircraft, aircraft engines  
24 or aircraft component parts by or on behalf of a certificated or licensed  
25 carrier of persons or property.

26 9. Rolling stock, rails, ties and signal control equipment used  
27 directly to transport persons or property.

28 10. Machinery or equipment used directly to drill for oil or gas or  
29 used directly in the process of extracting oil or gas from the earth for  
30 commercial purposes.

31 11. Buses or other urban mass transit vehicles which are used directly  
32 to transport persons or property for hire or pursuant to a governmentally  
33 adopted and controlled urban mass transportation program and which are sold  
34 to bus companies holding a federal certificate of convenience and necessity  
35 or operated by any city, town or other governmental entity or by any person  
36 contracting with such governmental entity as part of a governmentally adopted  
37 and controlled program to provide urban mass transportation.

38 12. Groundwater measuring devices required under section 45-604.

39 13. New machinery and equipment consisting of tractors, tractor-drawn  
40 implements, self-powered implements, machinery and equipment necessary for  
41 extracting milk, and machinery and equipment necessary for cooling milk and  
42 livestock, and drip irrigation lines not already exempt under paragraph 6 of  
43 this subsection and that are used for commercial production of agricultural,  
44 horticultural, viticultural and floricultural crops and products in this  
45 state. In this paragraph:



1 (a) "New machinery and equipment" means machinery or equipment which  
2 has never been sold at retail except pursuant to leases or rentals which do  
3 not total two years or more.

4 (b) "Self-powered implements" includes machinery and equipment that  
5 are electric-powered.

6 14. Machinery or equipment used in research and development. In this  
7 paragraph, "research and development" means basic and applied research in the  
8 sciences and engineering, and designing, developing or testing prototypes,  
9 processes or new products, including research and development of computer  
10 software that is embedded in or an integral part of the prototype or new  
11 product or that is required for machinery or equipment otherwise exempt under  
12 this section to function effectively. Research and development do not  
13 include manufacturing quality control, routine consumer product testing,  
14 market research, sales promotion, sales service, research in social sciences  
15 or psychology, computer software research that is not included in the  
16 definition of research and development, or other nontechnological activities  
17 or technical services.

18 15. Machinery and equipment that are purchased by or on behalf of the  
19 owners of a soundstage complex and primarily used for motion picture,  
20 multimedia or interactive video production in the complex. This paragraph  
21 applies only if the initial construction of the soundstage complex begins  
22 after June 30, 1996 and before January 1, 2002 and the machinery and  
23 equipment are purchased before the expiration of five years after the start  
24 of initial construction. For purposes of this paragraph:

25 (a) "Motion picture, multimedia or interactive video production"  
26 includes products for theatrical and television release, educational  
27 presentations, electronic retailing, documentaries, music videos, industrial  
28 films, CD-ROM, video game production, commercial advertising and television  
29 episode production and other genres that are introduced through developing  
30 technology.

31 (b) "Soundstage complex" means a facility of multiple stages including  
32 production offices, construction shops and related areas, prop and costume  
33 shops, storage areas, parking for production vehicles and areas that are  
34 leased to businesses that complement the production needs and orientation of  
35 the overall facility.

36 16. Tangible personal property that is used by either of the following  
37 to receive, store, convert, produce, generate, decode, encode, control or  
38 transmit telecommunications information:

39 (a) Any direct broadcast satellite television or data transmission  
40 service that operates pursuant to 47 Code of Federal Regulations parts 25 and  
41 100.

42 (b) Any satellite television or data transmission facility, if both of  
43 the following conditions are met:

44 (i) Over two-thirds of the transmissions, measured in megabytes,  
45 transmitted by the facility during the test period were transmitted to or on

1 behalf of one or more direct broadcast satellite television or data  
2 transmission services that operate pursuant to 47 Code of Federal Regulations  
3 parts 25 and 100.

4 (ii) Over two-thirds of the transmissions, measured in megabytes,  
5 transmitted by or on behalf of those direct broadcast television or data  
6 transmission services during the test period were transmitted by the facility  
7 to or on behalf of those services.

8 For purposes of subdivision (b) of this paragraph, "test period" means the  
9 three hundred sixty-five day period beginning on the later of the date on  
10 which the tangible personal property is purchased or the date on which the  
11 direct broadcast satellite television or data transmission service first  
12 transmits information to its customers.

13 17. Clean rooms that are used for manufacturing, processing,  
14 fabrication or research and development, as defined in paragraph 14 of this  
15 subsection, of semiconductor products. For purposes of this paragraph,  
16 "clean room" means all property that comprises or creates an environment  
17 where humidity, temperature, particulate matter and contamination are  
18 precisely controlled within specified parameters, without regard to whether  
19 the property is actually contained within that environment or whether any of  
20 the property is affixed to or incorporated into real property. Clean room:

21 (a) Includes the integrated systems, fixtures, piping, movable  
22 partitions, lighting and all property that is necessary or adapted to reduce  
23 contamination or to control airflow, temperature, humidity, chemical purity  
24 or other environmental conditions or manufacturing tolerances, as well as the  
25 production machinery and equipment operating in conjunction with the clean  
26 room environment.

27 (b) Does not include the building or other permanent, nonremovable  
28 component of the building that houses the clean room environment.

29 18. Machinery and equipment that are used directly in the feeding of  
30 poultry, the environmental control of housing for poultry, the movement of  
31 eggs within a production and packaging facility or the sorting or cooling of  
32 eggs. This exemption does not apply to vehicles used for transporting eggs.

33 19. Machinery or equipment, including related structural components,  
34 that is employed in connection with manufacturing, processing, fabricating,  
35 job printing, refining, mining, natural gas pipelines, metallurgical  
36 operations, telecommunications, producing or transmitting electricity or  
37 research and development and that is used directly to meet or exceed rules or  
38 regulations adopted by the federal energy regulatory commission, the United  
39 States environmental protection agency, the United States nuclear regulatory  
40 commission, the Arizona department of environmental quality or a political  
41 subdivision of this state to prevent, monitor, control or reduce land, water  
42 or air pollution.

43 20. Machinery and equipment that are used in the commercial production  
44 of livestock, livestock products or agricultural, horticultural, viticultural  
45 or floricultural crops or products in this state and that are used directly

1 and primarily to prevent, monitor, control or reduce air, water or land  
2 pollution.

3 21. Machinery or equipment that enables a television station to  
4 originate and broadcast or to receive and broadcast digital television  
5 signals and that was purchased to facilitate compliance with the  
6 telecommunications act of 1996 (P.L. 104-104; 110 Stat. 56; 47 United States  
7 Code section 336) and the federal communications commission order issued  
8 April 21, 1997 (47 Code of Federal Regulations part 73). This paragraph does  
9 not exempt any of the following:

10 (a) Repair or replacement parts purchased for the machinery or  
11 equipment described in this paragraph.

12 (b) Machinery or equipment purchased to replace machinery or equipment  
13 for which an exemption was previously claimed and taken under this paragraph.

14 (c) Any machinery or equipment purchased after the television station  
15 has ceased analog broadcasting, or purchased after November 1, 2009,  
16 whichever occurs first.

17 22. QUALIFYING EQUIPMENT THAT IS PURCHASED FROM AND AFTER JUNE 30, 2004  
18 THROUGH JUNE 30, 2014 BY A QUALIFIED BUSINESS FOR HARVESTING, TRANSPORTING OR  
19 THE INITIAL PROCESSING OF FOREST PRODUCTS, INCLUDING BIOMASS, AS PROVIDED IN  
20 SECTION 41-1516. TO QUALIFY FOR THIS EXEMPTION, THE QUALIFIED BUSINESS MUST  
21 OBTAIN AND PRESENT ITS CERTIFICATION FROM THE DEPARTMENT OF COMMERCE AT THE  
22 TIME OF PURCHASE.

23 C. The exemptions provided by subsection B of this section do not  
24 include:

25 1. Expendable materials. For purposes of this paragraph, expendable  
26 materials do not include any of the categories of tangible personal property  
27 specified in subsection B of this section regardless of the cost or useful  
28 life of that property.

29 2. Janitorial equipment and hand tools.

30 3. Office equipment, furniture and supplies.

31 4. Tangible personal property used in selling or distributing  
32 activities, other than the telecommunications transmissions described in  
33 subsection B, paragraph 16 of this section.

34 5. Motor vehicles required to be licensed by this state, except buses  
35 or other urban mass transit vehicles specifically exempted pursuant to  
36 subsection B, paragraph 11 of this section, without regard to the use of such  
37 motor vehicles.

38 6. Shops, buildings, docks, depots and all other materials of whatever  
39 kind or character not specifically included as exempt.

40 7. Motors and pumps used in drip irrigation systems.

41 D. The following shall be deducted in computing the purchase price of  
42 electricity by a retail electric customer from a utility business:

43 1. Revenues received from sales of ancillary services, electric  
44 distribution services, electric generation services, electric transmission  
45 services and other services related to providing electricity to a retail

1 electric customer who is located outside this state for use outside this  
2 state if the electricity is delivered to a point of sale outside this state.

3 2. Revenues received from providing electricity, including ancillary  
4 services, electric distribution services, electric generation services,  
5 electric transmission services and other services related to providing  
6 electricity with respect to which the transaction privilege tax imposed under  
7 section 42-5063 has been paid.

8 E. The tax levied by this article does not apply to:

9 1. The storage, use or consumption in Arizona of machinery, equipment,  
10 materials or other tangible personal property if used directly and  
11 predominantly to construct a qualified environmental technology  
12 manufacturing, producing or processing facility, as described in section  
13 41-1514.02. This paragraph applies for ten full consecutive calendar or  
14 fiscal years after the start of initial construction.

15 2. The purchase of electricity by a qualified environmental technology  
16 manufacturer, producer or processor as defined in section 41-1514.02 that is  
17 used directly in environmental technology manufacturing, producing or  
18 processing. This paragraph shall apply for fifteen full consecutive calendar  
19 or fiscal years from the date the first paper manufacturing machine is placed  
20 in service. In the case of an environmental technology manufacturer,  
21 producer or processor who does not manufacture paper, the time period shall  
22 begin with the date the first manufacturing, processing or production  
23 equipment is placed in service.

24 F. The following shall be deducted in computing the purchase price of  
25 electricity by a retail electric customer from a utility business:

26 1. Fees charged by a municipally owned utility to persons constructing  
27 residential, commercial or industrial developments or connecting residential,  
28 commercial or industrial developments to a municipal utility system or  
29 systems if the fees are segregated and used only for capital expansion,  
30 system enlargement or debt service of the utility system or systems.

31 2. Reimbursement or contribution compensation to any person or persons  
32 owning a utility system for property and equipment installed to provide  
33 utility access to, on or across the land of an actual utility consumer if the  
34 property and equipment become the property of the utility. This deduction  
35 shall not exceed the value of such property and equipment.

36 G. For the purposes of subsection B of this section:

37 1. "Aircraft" includes:

38 (a) An airplane flight simulator that is approved by the federal  
39 aviation administration for use as a phase II or higher flight simulator  
40 under appendix H, 14 Code of Federal Regulations part 121.

41 (b) Tangible personal property that is permanently affixed or attached  
42 as a component part of an aircraft that is owned or operated by a  
43 certificated or licensed carrier of persons or property.

2. "Other accessories and related equipment" includes aircraft accessories and equipment such as ground service equipment that physically contact aircraft at some point during the overall carrier operation.

H. For purposes of subsection D of this section, "ancillary services", "electric distribution service", "electric generation service", "electric transmission service" and "other services" have the same meanings prescribed ~~by~~ IN section 42-5063.

Sec. 12. Section 43-222, Arizona Revised Statutes, is amended to read:

43-222. Income tax credit review schedule

Each year the joint legislative income tax credit review committee shall review the following income tax credits:

1. In 2003, sections 43-1074.01, 43-1081, 43-1085, 43-1168, 43-1170, 43-1173 and 43-1178.

2. In 2004, sections 43-1081.01, 43-1083, 43-1084 and 43-1170.01.

3. In 2005, sections 43-1087, 43-1088, and 43-1175.

4. In 2006, sections 43-1073, 43-1089, 43-1089.01, 43-1089.02, 43-1090, 43-1176 and 43-1181.

5. In 2007, sections 43-1077, 43-1078, 43-1079, 43-1080, 43-1165, 43-1166, 43-1167 and 43-1169.

6. IN 2009, SECTIONS 43-1076 AND 43-1162.

Sec. 13. Title 43, chapter 10, article 5, Arizona Revised Statutes, is amended by adding section 43-1076, to read:

43-1076. Credit for employment by a healthy forest enterprise

A. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2004 THROUGH DECEMBER 31, 2014, A CREDIT IS ALLOWED AGAINST THE TAXES IMPOSED BY THIS TITLE FOR NET INCREASES IN QUALIFIED EMPLOYMENT POSITIONS BY A QUALIFIED BUSINESS THAT IS CERTIFIED BY THE DEPARTMENT OF COMMERCE AS A HEALTHY FOREST ENTERPRISE PURSUANT TO SECTION 41-1516.

B. SUBJECT TO SUBSECTION E OF THIS SECTION, THE AMOUNT OF THE CREDIT IS EQUAL TO:

1. ONE-FOURTH OF THE TAXABLE WAGES PAID TO AN EMPLOYEE IN A QUALIFIED EMPLOYMENT POSITION, NOT TO EXCEED FIVE HUNDRED DOLLARS PER QUALIFIED EMPLOYMENT POSITION, IN THE FIRST YEAR OR PARTIAL YEAR OF EMPLOYMENT.

2. ONE-THIRD OF THE TAXABLE WAGES PAID TO AN EMPLOYEE IN A QUALIFIED EMPLOYMENT POSITION, NOT TO EXCEED ONE THOUSAND DOLLARS PER QUALIFIED EMPLOYMENT POSITION, IN THE SECOND YEAR OF CONTINUOUS EMPLOYMENT.

3. ONE-HALF OF THE TAXABLE WAGES PAID TO AN EMPLOYEE IN A QUALIFIED EMPLOYMENT POSITION, NOT TO EXCEED ONE THOUSAND FIVE HUNDRED DOLLARS PER QUALIFIED EMPLOYMENT POSITION, IN THE THIRD YEAR OF CONTINUOUS EMPLOYMENT.

C. TO QUALIFY FOR A CREDIT UNDER THIS SECTION:

1. THE BUSINESS MUST EMPLOY AT LEAST TEN NEW EMPLOYEES IN QUALIFIED EMPLOYMENT POSITIONS IN THE FIRST TAXABLE YEAR IN WHICH THE CREDIT IS CLAIMED.

2. ALL OF THE EMPLOYEES WITH RESPECT TO WHOM A CREDIT IS CLAIMED MUST RESIDE IN THIS STATE ON THE DATE OF HIRE.

1           3. A QUALIFIED EMPLOYMENT POSITION MUST MEET ALL OF THE FOLLOWING  
2 REQUIREMENTS:

3           (a) THE POSITION MUST BE A MINIMUM OF ONE THOUSAND SEVEN HUNDRED FIFTY  
4 HOURS PER YEAR OF FULL-TIME AND PERMANENT EMPLOYMENT.

5           (b) THE JOB DUTIES MUST PRIMARILY INVOLVE OR DIRECTLY SUPPORT THE  
6 HARVESTING, TRANSPORTING OR THE INITIAL PROCESSING OF FOREST PRODUCTS,  
7 INCLUDING BIOMASS AS DEFINED IN SECTION 41-1516, INTO A PRODUCT HAVING  
8 COMMERCIAL VALUE.

9           (c) THE EMPLOYMENT MUST INCLUDE HEALTH INSURANCE COVERAGE FOR THE  
10 EMPLOYEE FOR WHICH THE EMPLOYER PAYS AT LEAST FIFTY PER CENT OF THE PREMIUM  
11 OR MEMBERSHIP COST. IF THE TAXPAYER IS SELF-INSURED, THE TAXPAYER MUST PAY  
12 AT LEAST FIFTY PER CENT OF A PREDETERMINED FIXED COST PER EMPLOYEE FOR AN  
13 INSURANCE PROGRAM THAT IS PAYABLE WHETHER OR NOT THE EMPLOYEE HAS FILED  
14 CLAIMS.

15           (d) THE EMPLOYER MUST PAY COMPENSATION AT LEAST EQUAL TO THE WAGE  
16 OFFER BY COUNTY AS COMPUTED ANNUALLY BY THE DEPARTMENT OF ECONOMIC SECURITY  
17 RESEARCH ADMINISTRATION DIVISION.

18           (e) THE EMPLOYEE MUST HAVE BEEN EMPLOYED FOR AT LEAST NINETY DAYS  
19 DURING THE FIRST TAXABLE YEAR. AN EMPLOYEE WHO IS HIRED DURING THE LAST  
20 NINETY DAYS OF THE TAXABLE YEAR SHALL BE CONSIDERED A NEW EMPLOYEE DURING THE  
21 NEXT TAXABLE YEAR. A QUALIFIED EMPLOYMENT POSITION THAT IS FILLED DURING THE  
22 LAST NINETY DAYS OF THE TAXABLE YEAR IS CONSIDERED TO BE A NEW QUALIFIED  
23 EMPLOYMENT POSITION FOR THE NEXT TAXABLE YEAR.

24           (f) THE EMPLOYEE HAS NOT BEEN PREVIOUSLY EMPLOYED BY THE TAXPAYER  
25 WITHIN TWELVE MONTHS BEFORE THE CURRENT DATE OF HIRE.

26           D. A CREDIT IS ALLOWED FOR EMPLOYMENT IN THE SECOND AND THIRD YEAR  
27 ONLY FOR QUALIFIED EMPLOYMENT POSITIONS FOR WHICH A CREDIT WAS ALLOWED AND  
28 CLAIMED BY THE TAXPAYER ON THE ORIGINAL FIRST AND SECOND YEAR TAX RETURNS.

29           E. THE NET INCREASE IN THE NUMBER OF QUALIFIED EMPLOYMENT POSITIONS IS  
30 THE LESSER OF THE TOTAL NUMBER OF FILLED QUALIFIED EMPLOYMENT POSITIONS  
31 CREATED DURING THE TAXABLE YEAR OR THE DIFFERENCE BETWEEN THE AVERAGE NUMBER  
32 OF FULL-TIME EMPLOYEES IN THE CURRENT TAXABLE YEAR AND THE AVERAGE NUMBER OF  
33 FULL-TIME EMPLOYEES DURING THE IMMEDIATELY PRECEDING TAXABLE YEAR. THE NET  
34 INCREASE IN THE NUMBER OF QUALIFIED EMPLOYMENT POSITIONS COMPUTED UNDER THIS  
35 SUBSECTION MAY NOT EXCEED TWO HUNDRED QUALIFIED EMPLOYMENT POSITIONS PER  
36 TAXPAYER EACH YEAR.

37           F. A TAXPAYER WHO CLAIMS A CREDIT UNDER SECTION 43-1074, 43-1077 OR  
38 43-1079 MAY NOT CLAIM A CREDIT UNDER THIS SECTION WITH RESPECT TO THE SAME  
39 EMPLOYEES.

40           G. IF THE ALLOWABLE TAX CREDIT EXCEEDS THE INCOME TAXES OTHERWISE DUE  
41 ON THE CLAIMANT'S INCOME, OR IF THERE ARE NO STATE INCOME TAXES DUE ON THE  
42 CLAIMANT'S INCOME, THE AMOUNT OF THE CLAIM NOT USED AS AN OFFSET AGAINST  
43 INCOME TAXES MAY BE CARRIED FORWARD AS A TAX CREDIT AGAINST SUBSEQUENT YEARS'  
44 INCOME TAX LIABILITY FOR THE PERIOD NOT TO EXCEED FIVE TAXABLE YEARS,  
45 PROVIDED THE BUSINESS MAINTAINS ITS CERTIFICATION UNDER SECTION 41-1516.

1 H. CO-OWNERS OF A BUSINESS, INCLUDING PARTNERS IN A PARTNERSHIP AND  
2 SHAREHOLDERS OF AN S CORPORATION AS DEFINED IN SECTION 1361 OF THE INTERNAL  
3 REVENUE CODE, MAY EACH CLAIM ONLY THE PRO RATA SHARE OF THE CREDIT ALLOWED  
4 UNDER THIS SECTION BASED ON THE OWNERSHIP INTEREST. THE TOTAL OF THE CREDITS  
5 ALLOWED ALL SUCH OWNERS OF THE BUSINESS MAY NOT EXCEED THE AMOUNT THAT WOULD  
6 HAVE BEEN ALLOWED FOR A SOLE OWNER OF THE BUSINESS.

7 I. IF A QUALIFIED BUSINESS CHANGES OWNERSHIP THROUGH REORGANIZATION,  
8 STOCK PURCHASE OR MERGER, THE NEW TAXPAYER MAY CLAIM FIRST YEAR CREDITS ONLY  
9 FOR ONE OR MORE QUALIFIED EMPLOYMENT POSITIONS THAT IT CREATED AND FILLED  
10 WITH AN ELIGIBLE EMPLOYEE AFTER THE PURCHASE OR REORGANIZATION WAS COMPLETE.

11 IF A PERSON PURCHASES A BUSINESS THAT HAD QUALIFIED FOR FIRST OR SECOND YEAR  
12 CREDITS OR CHANGES OWNERSHIP THROUGH REORGANIZATION, STOCK PURCHASE OR  
13 MERGER, THE NEW TAXPAYER MAY CLAIM THE SECOND OR THIRD YEAR CREDITS IF IT  
14 MEETS THE OTHER ELIGIBILITY REQUIREMENTS OF THIS SECTION. CREDITS FOR WHICH  
15 A TAXPAYER QUALIFIED BEFORE THE CHANGES DESCRIBED IN THIS SUBSECTION ARE  
16 TERMINATED AND LOST AT THE TIME THE CHANGES ARE IMPLEMENTED.

17 J. IF, WITHIN FIVE TAXABLE YEARS AFTER FIRST RECEIVING A CREDIT  
18 PURSUANT TO THIS SECTION, THE CERTIFICATION OF QUALIFICATION OF A BUSINESS IS  
19 TERMINATED OR REVOKED UNDER SECTION 41-1516 OTHER THAN FOR REASONS BEYOND THE  
20 CONTROL OF THE BUSINESS AS DETERMINED BY THE DEPARTMENT OF COMMERCE, THE  
21 CREDITS ALLOWED THE BUSINESS PURSUANT TO THIS SECTION ARE SUBJECT TO  
22 RECAPTURE BY ADDING AN IMPUTED TAX LIABILITY IN THE NEXT TAXABLE YEAR AS  
23 PROVIDED BY THIS SUBSECTION. THE IMPUTED TAX LIABILITY IS IMPOSED AND IS DUE  
24 REGARDLESS OF WHETHER ANY OTHER TAX AMOUNT IS DUE UNDER THIS TITLE. THE  
25 AMOUNT OF THE IMPUTED TAX IS DETERMINED BY MULTIPLYING THE FULL AMOUNT OF ALL  
26 CREDITS PREVIOUSLY ALLOWED UNDER THIS SECTION BY A PERCENTAGE DETERMINED AS  
27 FOLLOWS:

28 1. IF THE INITIAL CREDIT UNDER THIS SECTION WAS ALLOWED FOR THE  
29 TAXABLE YEAR IMMEDIATELY PRECEDING THE TAXABLE YEAR IN WHICH THE  
30 CERTIFICATION OF QUALIFICATION OF A BUSINESS IS TERMINATED OR REVOKED, ONE  
31 HUNDRED PER CENT.

32 2. IF THE INITIAL CREDIT UNDER THIS SECTION WAS ALLOWED TWO TAXABLE  
33 YEARS BEFORE THE TAXABLE YEAR IN WHICH THE CERTIFICATION OF QUALIFICATION OF  
34 A BUSINESS IS TERMINATED OR REVOKED, EIGHTY PER CENT.

35 3. IF THE INITIAL CREDIT UNDER THIS SECTION WAS ALLOWED THREE TAXABLE  
36 YEARS BEFORE THE TAXABLE YEAR IN WHICH THE CERTIFICATION OF QUALIFICATION OF  
37 A BUSINESS IS TERMINATED OR REVOKED, SIXTY PER CENT.

38 4. IF THE INITIAL CREDIT UNDER THIS SECTION WAS ALLOWED FOUR TAXABLE  
39 YEARS BEFORE THE TAXABLE YEAR IN WHICH THE CERTIFICATION OF QUALIFICATION OF  
40 A BUSINESS IS TERMINATED OR REVOKED, FORTY PER CENT.

41 5. IF THE INITIAL CREDIT UNDER THIS SECTION WAS ALLOWED FIVE TAXABLE  
42 YEARS BEFORE THE TAXABLE YEAR IN WHICH THE CERTIFICATION OF QUALIFICATION OF  
43 A BUSINESS IS TERMINATED OR REVOKED, TWENTY PER CENT.

1           Sec. 14. Title 43, chapter 11, article 6, Arizona Revised Statutes, is  
2 amended by adding section 43-1162, to read:

3           43-1162. Credit for employment by a healthy forest enterprise

4           A. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2004  
5 THROUGH DECEMBER 31, 2014, A CREDIT IS ALLOWED AGAINST THE TAXES IMPOSED BY  
6 THIS TITLE FOR NET INCREASES IN QUALIFIED EMPLOYMENT POSITIONS BY A QUALIFIED  
7 BUSINESS THAT IS CERTIFIED BY THE DEPARTMENT OF COMMERCE AS A HEALTHY FOREST  
8 ENTERPRISE PURSUANT TO SECTION 41-1516.

9           B. SUBJECT TO SUBSECTION E OF THIS SECTION, THE AMOUNT OF THE CREDIT  
10 IS EQUAL TO:

11           1. ONE-FOURTH OF THE TAXABLE WAGES PAID TO AN EMPLOYEE IN A QUALIFIED  
12 EMPLOYMENT POSITION, NOT TO EXCEED FIVE HUNDRED DOLLARS PER QUALIFIED  
13 EMPLOYMENT POSITION, IN THE FIRST YEAR OR PARTIAL YEAR OF EMPLOYMENT.

14           2. ONE-THIRD OF THE TAXABLE WAGES PAID TO AN EMPLOYEE IN A QUALIFIED  
15 EMPLOYMENT POSITION, NOT TO EXCEED ONE THOUSAND DOLLARS PER QUALIFIED  
16 EMPLOYMENT POSITION, IN THE SECOND YEAR OF CONTINUOUS EMPLOYMENT.

17           3. ONE-HALF OF THE TAXABLE WAGES PAID TO AN EMPLOYEE IN A QUALIFIED  
18 EMPLOYMENT POSITION, NOT TO EXCEED ONE THOUSAND FIVE HUNDRED DOLLARS PER  
19 QUALIFIED EMPLOYMENT POSITION, IN THE THIRD YEAR OF CONTINUOUS EMPLOYMENT.

20           C. TO QUALIFY FOR A CREDIT UNDER THIS SECTION:

21           1. THE BUSINESS MUST EMPLOY AT LEAST TEN NEW EMPLOYEES IN QUALIFIED  
22 EMPLOYMENT POSITIONS IN THE FIRST TAXABLE YEAR IN WHICH THE CREDIT IS  
23 CLAIMED.

24           2. ALL OF THE EMPLOYEES WITH RESPECT TO WHOM A CREDIT IS CLAIMED MUST  
25 RESIDE IN THIS STATE ON THE DATE OF HIRE.

26           3. A QUALIFIED EMPLOYMENT POSITION MUST MEET ALL OF THE FOLLOWING  
27 REQUIREMENTS:

28           (a) THE POSITION MUST BE A MINIMUM OF ONE THOUSAND SEVEN HUNDRED FIFTY  
29 HOURS PER YEAR OF FULL-TIME AND PERMANENT EMPLOYMENT.

30           (b) THE JOB DUTIES MUST PRIMARILY INVOLVE OR DIRECTLY SUPPORT THE  
31 HARVESTING, TRANSPORTING OR THE INITIAL PROCESSING OF FOREST PRODUCTS,  
32 INCLUDING BIOMASS AS DEFINED IN SECTION 41-1516, INTO A PRODUCT HAVING  
33 COMMERCIAL VALUE.

34           (c) THE EMPLOYMENT MUST INCLUDE HEALTH INSURANCE COVERAGE FOR THE  
35 EMPLOYEE FOR WHICH THE EMPLOYER PAYS AT LEAST FIFTY PER CENT OF THE PREMIUM  
36 OR MEMBERSHIP COST. IF THE TAXPAYER IS SELF-INSURED, THE TAXPAYER MUST PAY  
37 AT LEAST FIFTY PER CENT OF A PREDETERMINED FIXED COST PER EMPLOYEE FOR AN  
38 INSURANCE PROGRAM THAT IS PAYABLE WHETHER OR NOT THE EMPLOYEE HAS FILED  
39 CLAIMS.

40           (d) THE EMPLOYER MUST PAY COMPENSATION AT LEAST EQUAL TO THE WAGE  
41 OFFER BY COUNTY AS COMPUTED ANNUALLY BY THE DEPARTMENT OF ECONOMIC SECURITY  
42 RESEARCH ADMINISTRATION DIVISION.

43           (e) THE EMPLOYEE MUST HAVE BEEN EMPLOYED FOR AT LEAST NINETY DAYS  
44 DURING THE FIRST TAXABLE YEAR. AN EMPLOYEE WHO IS HIRED DURING THE LAST  
45 NINETY DAYS OF THE TAXABLE YEAR SHALL BE CONSIDERED A NEW EMPLOYEE DURING THE



1 NEXT TAXABLE YEAR. A QUALIFIED EMPLOYMENT POSITION THAT IS FILLED DURING THE  
2 LAST NINETY DAYS OF THE TAXABLE YEAR IS CONSIDERED TO BE A NEW QUALIFIED  
3 EMPLOYMENT POSITION FOR THE NEXT TAXABLE YEAR.

4 (f) THE EMPLOYEE HAS NOT BEEN PREVIOUSLY EMPLOYED BY THE TAXPAYER  
5 WITHIN TWELVE MONTHS BEFORE THE CURRENT DATE OF HIRE.

6 D. A CREDIT IS ALLOWED FOR EMPLOYMENT IN THE SECOND AND THIRD YEAR  
7 ONLY FOR QUALIFIED EMPLOYMENT POSITIONS FOR WHICH A CREDIT WAS ALLOWED AND  
8 CLAIMED BY THE TAXPAYER ON THE ORIGINAL FIRST AND SECOND YEAR TAX RETURNS.

9 E. THE NET INCREASE IN THE NUMBER OF QUALIFIED EMPLOYMENT POSITIONS IS  
10 THE LESSER OF THE TOTAL NUMBER OF FILLED QUALIFIED EMPLOYMENT POSITIONS  
11 CREATED DURING THE TAXABLE YEAR OR THE DIFFERENCE BETWEEN THE AVERAGE NUMBER  
12 OF FULL-TIME EMPLOYEES IN THE CURRENT TAXABLE YEAR AND THE AVERAGE NUMBER OF  
13 FULL-TIME EMPLOYEES DURING THE IMMEDIATELY PRECEDING TAXABLE YEAR. THE NET  
14 INCREASE IN THE NUMBER OF QUALIFIED EMPLOYMENT POSITIONS COMPUTED UNDER THIS  
15 SUBSECTION MAY NOT EXCEED TWO HUNDRED QUALIFIED EMPLOYMENT POSITIONS PER  
16 TAXPAYER EACH YEAR.

17 F. A TAXPAYER WHO CLAIMS A CREDIT UNDER SECTION 43-1161, 43-1165 OR  
18 43-1167 MAY NOT CLAIM A CREDIT UNDER THIS SECTION WITH RESPECT TO THE SAME  
19 EMPLOYEES.

20 G. IF THE ALLOWABLE TAX CREDIT EXCEEDS THE INCOME TAXES OTHERWISE DUE  
21 ON THE CLAIMANT'S INCOME, OR IF THERE ARE NO STATE INCOME TAXES DUE ON THE  
22 CLAIMANT'S INCOME, THE AMOUNT OF THE CLAIM NOT USED AS AN OFFSET AGAINST  
23 INCOME TAXES MAY BE CARRIED FORWARD AS A TAX CREDIT AGAINST SUBSEQUENT YEARS'  
24 INCOME TAX LIABILITY FOR THE PERIOD NOT TO EXCEED FIVE TAXABLE YEARS,  
25 PROVIDED THE BUSINESS MAINTAINS ITS CERTIFICATION UNDER SECTION 41-1516.

26 H. CO-OWNERS OF A BUSINESS, INCLUDING PARTNERS IN A PARTNERSHIP, MAY  
27 EACH CLAIM ONLY THE PRO RATA SHARE OF THE CREDIT ALLOWED UNDER THIS SECTION  
28 BASED ON THE OWNERSHIP INTEREST. THE TOTAL OF THE CREDITS ALLOWED ALL SUCH  
29 OWNERS OF THE BUSINESS MAY NOT EXCEED THE AMOUNT THAT WOULD HAVE BEEN ALLOWED  
30 FOR A SOLE OWNER OF THE BUSINESS.

31 I. IF A QUALIFIED BUSINESS CHANGES OWNERSHIP THROUGH REORGANIZATION,  
32 STOCK PURCHASE OR MERGER, THE NEW TAXPAYER MAY CLAIM FIRST YEAR CREDITS ONLY  
33 FOR ONE OR MORE QUALIFIED EMPLOYMENT POSITIONS THAT IT CREATED AND FILLED  
34 WITH AN ELIGIBLE EMPLOYEE AFTER THE PURCHASE OR REORGANIZATION WAS COMPLETE.  
35 IF A PERSON PURCHASES A BUSINESS THAT HAD QUALIFIED FOR FIRST OR SECOND YEAR  
36 CREDITS OR CHANGES OWNERSHIP THROUGH REORGANIZATION, STOCK PURCHASE OR  
37 MERGER, THE NEW TAXPAYER MAY CLAIM THE SECOND OR THIRD YEAR CREDITS IF IT  
38 MEETS THE OTHER ELIGIBILITY REQUIREMENTS OF THIS SECTION. CREDITS FOR WHICH  
39 A TAXPAYER QUALIFIED BEFORE THE CHANGES DESCRIBED IN THIS SUBSECTION ARE  
40 TERMINATED AND LOST AT THE TIME THE CHANGES ARE IMPLEMENTED.

41 J. IF, WITHIN FIVE TAXABLE YEARS AFTER FIRST RECEIVING A CREDIT  
42 PURSUANT TO THIS SECTION, THE CERTIFICATION OF QUALIFICATION OF A BUSINESS IS  
43 TERMINATED OR REVOKED UNDER SECTION 41-1516 OTHER THAN FOR REASONS BEYOND THE  
44 CONTROL OF THE BUSINESS AS DETERMINED BY THE DEPARTMENT OF COMMERCE, THE  
45 CREDITS ALLOWED THE BUSINESS PURSUANT TO THIS SECTION ARE SUBJECT TO

1 RECAPTURE BY ADDING AN IMPUTED TAX LIABILITY IN THE NEXT TAXABLE YEAR AS  
2 PROVIDED BY THIS SUBSECTION. THE IMPUTED TAX LIABILITY IS IMPOSED AND IS DUE  
3 REGARDLESS OF WHETHER ANY OTHER TAX AMOUNT IS DUE UNDER THIS TITLE. THE  
4 AMOUNT OF THE IMPUTED TAX IS DETERMINED BY MULTIPLYING THE FULL AMOUNT OF ALL  
5 CREDITS PREVIOUSLY ALLOWED UNDER THIS SECTION BY A PERCENTAGE DETERMINED AS  
6 FOLLOWS:

7 1. IF THE INITIAL CREDIT UNDER THIS SECTION WAS ALLOWED FOR THE  
8 TAXABLE YEAR IMMEDIATELY PRECEDING THE TAXABLE YEAR IN WHICH THE  
9 CERTIFICATION OF QUALIFICATION OF A BUSINESS IS TERMINATED OR REVOKED, ONE  
10 HUNDRED PER CENT.

11 2. IF THE INITIAL CREDIT UNDER THIS SECTION WAS ALLOWED TWO TAXABLE  
12 YEARS BEFORE THE TAXABLE YEAR IN WHICH THE CERTIFICATION OF QUALIFICATION OF  
13 A BUSINESS IS TERMINATED OR REVOKED, EIGHTY PER CENT.

14 3. IF THE INITIAL CREDIT UNDER THIS SECTION WAS ALLOWED THREE TAXABLE  
15 YEARS BEFORE THE TAXABLE YEAR IN WHICH THE CERTIFICATION OF QUALIFICATION OF  
16 A BUSINESS IS TERMINATED OR REVOKED, SIXTY PER CENT.

17 4. IF THE INITIAL CREDIT UNDER THIS SECTION WAS ALLOWED FOUR TAXABLE  
18 YEARS BEFORE THE TAXABLE YEAR IN WHICH THE CERTIFICATION OF QUALIFICATION OF  
19 A BUSINESS IS TERMINATED OR REVOKED, FORTY PER CENT.

20 5. IF THE INITIAL CREDIT UNDER THIS SECTION WAS ALLOWED FIVE TAXABLE  
21 YEARS BEFORE THE TAXABLE YEAR IN WHICH THE CERTIFICATION OF QUALIFICATION OF  
22 A BUSINESS IS TERMINATED OR REVOKED, TWENTY PER CENT.

23 Sec. 15. State contracts for biomass electricity; legislative  
24 presentations; definition

25 A. The department of administration shall develop a program to enter  
26 into contracts for purchasing electrical energy generated from biomass  
27 resources. The goal of the program is to support the development of a  
28 sustainable market for electrical energy generated from biomass  
29 resources. If the department contracts for such electrical energy:

30 1. The term of the initial contracts shall not exceed ten years.

31 2. The contracts shall include contingency provisions in the case  
32 where biomass electrical generation fails to meet predicted generation  
33 levels.

34 B. Regardless of whether the department of administration actually  
35 contracts for biomass electrical energy pursuant to subsection A, during the  
36 first and second regular sessions of the forty-seventh legislature the  
37 department of administration shall present reports to the senate committee on  
38 natural resources and transportation, or its successor, and the house of  
39 representatives committee on natural resources, agriculture, water and Native  
40 American affairs, or its successor. The department may request the  
41 participation of representatives of biomass electrical generators and other  
42 knowledgeable parties in making the presentation to the committees. A  
43 written report is not required, but the presentations shall include analyses  
44 of:

1           1. The current status of the program described in subsection A and the  
2 progress of any contracting activity conducted under subsection A.

3           2. Sources, potential sources and quantities of biomass electrical  
4 energy generated in this state and in other states.

5           3. The availability of biomass electrical energy on the public market,  
6 including fuel sources and operating and planned generation sources.

7           4. The market demand for biomass electrical energy.

8           5. The relative costs of generating biomass electrical energy and  
9 conventional electrical energy.

10          6. The contract price for biomass electrical energy paid pursuant to  
11 any contracts under subsection A compared to the price paid by this state for  
12 conventionally generated electrical energy.

13          C. For the purposes of this section, "biomass" means dead standing and  
14 fallen timber, and forest thinnings associated with the harvest of small  
15 diameter timber, slash, brush and other woody vegetation, removed from  
16 federal, state and other public forest land and from private forest land.

17          Sec. 16. Repeal

18          Section 15 of this act, relating to biomass electrical energy  
19 contracts, is repealed from and after June 30, 2006.

20          Sec. 17. Healthy forest pilot efforts; report

21          The state forester shall:

22           1. Identify potential pilot programs to promote forest health,  
23 including large land areas for treatment operations and fuel hazard reduction  
24 efforts. The identified land areas must include substantial areas of deep  
25 forest as well as the urban interface. The programs must harvest and use the  
26 forest products in a manner that is science based and environmentally  
27 sensitive and include measures to restore healthy water cycles to forest  
28 lands.

29           2. Identify specific public-private partnerships that may be useful in  
30 promoting forest health and maximizing local efforts, which may include joint  
31 projects with other governments, including Indian tribes.

32           3. Work in partnership with federal agencies to set a pilot program in  
33 place.

34           4. Identify necessary steps, including specific regulatory relief,  
35 that may be needed in conjunction with the provisions of the healthy forests  
36 restoration act (P.L. 108-148).

37           5. Take necessary steps to maximize state fire assistance grants,  
38 including the establishment of timelines for the use of grant monies and the  
39 reallocation of lapsed grant monies to other projects.

40           6. Submit an interim report to the president of the senate, the  
41 speaker of the house of representatives and the governor by November 1, 2004  
42 on the progress accomplished to date under federal forest restoration  
43 legislation, the status of the state fire assistance grant program, any other  
44 federal and state programs that may be used to assist with overall healthy  
45 forest management, any necessary federal regulatory relief needed to expedite

1 and optimize performance under the state and federal programs, the costs of  
2 these programs and any recommended statutory changes.

3 7. Submit a final report on progress, findings and recommendations to  
4 the president of the senate, the speaker of the house of representatives and  
5 the governor by November 1, 2005 and shall provide a copy of this report to  
6 the secretary of state and the director of the Arizona state library,  
7 archives and public records.

8 Sec. 18. Repeal

9 Section 16 of this act, relating to healthy forest pilot efforts, is  
10 repealed from and after December 31, 2005.

11 Sec. 19. Income tax credits for employment by a healthy forest  
12 enterprise; purpose

13 Pursuant to section 43-222, Arizona Revised Statutes, the legislature  
14 enacts sections 43-1076 and 43-1162, Arizona Revised Statutes, as added by  
15 this act, to promote the development of commercial enterprises that promote  
16 forest health and reduce the risk of catastrophic wildfire and destructive  
17 insect infestation in forested areas in this state.

18 Sec. 20. Emergency

19 This act is an emergency measure that is necessary to preserve the  
20 public peace, health or safety and is operative immediately as provided by  
21 law.